Tomorrow's Weekend FT

Literary forgers who fooled Victorian England

GPA Group

Why the share sale flopped

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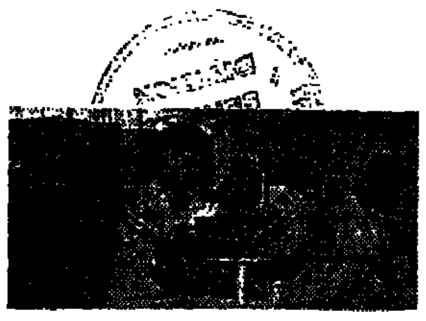

China

A spring wind blows through the economy

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THE BIG LIE

Inside Maxwell's empire

Part 6: Nowhere to run

Pages 8-9

FINANCIAL TIMES

Friday June 19 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

Irish voters likely to decide future of Maastricht

The future of the Maastricht treaty on European union could be clearer today after the results of the Irish Republic's referendum on the pact are announced at about midday. An estimated 50-55 per cent of the country's 2.5m voters are believed to have gone to the polls. If the Irish follow the Danes in rejecting Maastricht, the treaty is unlikely to survive. Page 16; Irish mist descends over Maastricht, Page 2

Siemens, German electronics group, is reducing participation in the semiconductor memory market and will not build a manufacturing plant for advanced chips. The decision could mean the end of European memory production. Page 17

Intel, US manufacturer of microprocessor chips for personal computers, has won a critical California lawsuit in its battle to prevent Advanced Micro Devices from cloning its products. Page 17

China tightens credit: China's central bank has acted to tighten credit in an attempt to prevent the economy from overheating as a result of rapid growth. Page 16

South Africa killings: Raiders killed at least 35 blacks in a South African squatter camp. The Law and Order ministry said the incident, at Boipatong, was an indirect result of an African National Congress mass protest campaign to bring down the white government.

UN drops airport plans The United Nations abandoned plans to send Canadian troops to Sarajevo to take control of the airport, after Serb irregulars renewed bombardment of the Bosnian capital. Page 2

Hachette, heavily indebted French media group, secured shareholders' consent for a FFr2.8bn ($530m) recapitalisation package as a precursor to its proposed merger with French defence company Matra. Page 17

Telephone Organisation of Thailand awarded a contract to install and operate 1m provincial telephone lines to a Thai consortium planning to buy equipment from Canadian, French and Japanese companies. Page 3

Rise in UK unemployment: The number of people out of work in the UK climbed to more than 2.7m last month, the highest for nearly five years. Page 6

Japanese brokers look to profits: Japan's leading four brokers reported generally lower profits from their overseas operations last year, but expect a return to profit this year in spite of continuing market weakness. Page 21

Tokyo's financial reforms: Barriers between Japan's banking and securities business are to be lowered following legislation allowing banks and securities houses to enter each other's businesses. Page 21

Olympia & York, troubled property company, outlined a debt-restructuring proposal which would include extending repayments on most of its debt for five years and disposing of some of its Canadian properties. Page 20

US trade deficit widens: A sharp rise in the US merchandise trade deficit in April provided an early warning of possible adverse trade trends later this year if the US economy continues to revive and demand remains subdued elsewhere. The deficit jumped from $5.4bn in March to $7bn, the greatest shortfall for 17 months. Page 5

Kuwait to keep Spanish interest: Kuwait Investment Office said it would not withdraw its large industrial investment from Spain despite the cost of rebuilding Kuwait and the resignation this month of its long-time partner in Spain, Javier de la Rosa. Page 17

Union seeks investigation: The UK's financial regulators have been asked by the Transport and General Workers' Union to investigate the pension fund manager of Courage, the brewer, after the fund was forced to write off a £10m ($18.5m) investment in a company related to Foster's Brewing Group, Courage's Australian owner. Page 6

UK rail losses rise: British Rail is about to announce that its losses for the year to March have increased from the previous year's £10.9m to a worse-than-expected £150m. Page 6.

Coup blocked: Chad's military government claimed it foiled an attempted coup led by public works minister Abbas Kotti.

Bomb surprise: A 96-year-old Belfast woman took a package from her coal-bunker into her home without realising it was a bomb. Police were alerted and the device was defused.

■ STOCK MARKET INDICES

FT-SE 100:	2,562.7	(-35.7)
Yield	4.76	
FT-SE Eurotrack 100	1,145.66	(-12.58)
FT-A All-Share	1,238.10	(-1.4%)
Nikkei	16,845.56	(-400.24)
New York lunchtime:		
Dow Jones Ind Ave	3287.22	(-0.54)
S&P Composite	402.46	(+0.20)

■ US LUNCHTIME RATES

Federal Funds:	3 13/16%
3-mo Treas Bills: Yld	3.684%
Long Bond	102 1/4
Yield	7.757%

■ LONDON MONEY

3-mo Interbank	10%	(10 1/16%)
Liffe long gilt future:	Sep 97 23/32	(Sep 97 7/8)

■ NORTH SEA OIL (Argus)

Brent 15-day Aug	$21.10	(20.95)

■ Gold

New York Comex	$344.2	(341.2)
London	$341.95	(342.35)

■ STERLING

New York lunchtime:	
$	1.8642
London:	
$	1.8655
DM	2.92
FFr	9.84
SFr	2.635
Y	236.5
£ Index	93.1

■ DOLLAR

New York lunchtime:	
DM	1.56685
FFr	5.279
SFr	1.4155
Y	126.755
London:	
DM	1.565
FFr	5.275
SFr	1.413
Y	126.75
$ Index	82.1

Tokyo close Y 127.83

Austria	Sch30	Hungary	Ft162	Malta	Lm0.60	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.60	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1,000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Early morning arrests follow pressure for action

Sons of Maxwell face £135m fraud charges

By John Mason, Andrew Jack, and Raymond Snoddy

MR Kevin and Mr Ian Maxwell, sons of the disgraced publisher Mr Robert Maxwell, and Mr Larry Trachtenberg, an American business associate, were yesterday charged with fraud after being arrested at their London homes.

The early morning arrests came eight months after the death of Mr Maxwell in the sea off the Canary Islands and during one of the most complex investigations carried out by the UK Serious Fraud Office.

The police made the arrests while the SFO investigation has been only half completed, and the decision to move yesterday took place against a background of mounting pressure for action and intensifying press coverage. More than £900m ($1.66bn) is still missing from a variety of Maxwell companies and pension funds affecting thousands of Maxwell pensioners.

The three men face a total of 15 charges of conspiracy to defraud and theft involving £135m.

Mr Kevin Maxwell, at 33 the youngest Maxwell son, and a former chairman of Maxwell Communication Corporation, was charged with two counts of conspiracy to defraud and six of theft. The charges include the alleged defrauding of the Swiss Bank Corporation of £55m and the Swiss Volks Bank of $35m.

Mr Larry Trachtenberg, a 39-year-old former London School of Economics lecturer and financial adviser to the late publisher, was charged with two counts of conspiracy to defraud SBC and Volks Bank and four theft charges.

Mr Ian Maxwell, 36, the former Mirror Group chairman, was charged on a single count of conspiracy to defraud Volks Bank of $35m.

Pictures Trevor Humphries and Lydia van der Meer

Ian (left) and Kevin Maxwell leave Snow Hill police station in London after their arrest

■ Full list of charges PAGE 6

■ Background to the arrests PAGE 7

■ The Big Lie: Inside Maxwell's empire PAGE 8

■ Arguments pointing to suicide PAGE 9

The charges relate to only three of the five areas of inquiry still being pursued by the SFO, and all but one of the alleged offences are said to have taken place after Mr Maxwell's death on November 5 last year.

The five lines of inquiry are into the circumstances surrounding a £55m loan from Swiss Bank Corporation, the MCC pension funds, money missing from Mirror Group Newspapers, an alleged share support operation and cash and investments removed from MCC.

Accountants tracing Maxwell assets on behalf of creditors and pensioners said the charges would have no effect on their investigations.

Following the arrests, the three men were taken to City of London police station shortly after 7am and were detained without being questioned before being charged. Shortly before 1pm the three men were escorted through a crowd of cameramen and onlookers and taken to City of London Magistrates for their first court appearance.

Reporting restrictions were not lifted and all three were released on conditional bail to reappear on September 1. The trial – likely to be the largest case of alleged fraud to come before the UK courts – is not expected to

Continued on Page 18

Background and full charges, Page 6,7

Nowhere to run, Pages 8,9

Legacy of a determined man

By Norma Cohen, Andrew Jack and Bronwen Maddox in London and Alan Friedman in New York

ROBERT MAXWELL'S last will and testament reveals a man determined to control his image beyond the grave. He left a total of £2m ($3.7m) to his family and friends, with the rest of his personal estate going to causes including world peace, the defence of Israel and the eradication of Alzheimer's disease and cancer.

But beneficiaries who brought the Maxwell family or Maxwell companies "into disrepute" will lose their inheritance. Any who unsuccessfully challenge the will would see their legacy cut to only £1,000.

The Financial Times has obtained a copy of the will, drawn up on July 12 1987 and amended on December 30 1990. The will's authenticity has been independently confirmed by a lawyer involved in its preparation.

Mr Maxwell left money to a Israeli synagogue to ensure that "prayers be said in perpetuity" for himself and his close relations on the anniversaries of their deaths. He asked to be buried in an orthodox Jewish cemetery in Jerusalem in accordance with orthodox rites.

Ms Jean Baddeley, Mr Maxwell's former secretary and a close friend, inherits £100,000 and "shall continue to be employed in and about the management of my estate ... on the most generous terms of compensation."

Robert Maxwell's widow, Elisabeth, inherits £500,000 and three apartments in France. Each of Mr Maxwell's seven children is to receive £200,000. His sister, Sylvia Rosen, inherits £150,000. Helene Atkin and Michael Atkin, a niece and nephew, inherit $100,000 each.

Mr Maxwell left everything else in his personal estate to charitable organisations. For years, however, the ultimate owners of the Maxwell corporate empire have been secretive offshore trusts in Liechtenstein and, recently, Gibraltar. Investigators are now attempting to penetrate the confidentiality that shields these trusts.

The named beneficiaries of the will may not receive anything. If creditors force the estate into bankruptcy, they will rank above anyone mentioned in a will.

The document was given to the FT by Mr Frank Field, the Labour MP who chaired the House of Commons select committee on social security which held hearings into the Maxwell affair. Mr Field declined to identify his source except to say he was satisfied the person has intimate knowledge of Mr Maxwell's personal affairs.

In explaining his release of the confidential documents, Mr Field said "A person approached me who was mortified about what happened to the pensioners and concerned about the apparent lack of activity. I was asked to place this information with the FT in the hope that other people who know part of the story would come forward."

Mr Field said he had been told that the bulk of Mr Maxwell's assets were stored in roughly a dozen charitable trusts based in Liechtenstein and that not even Mr Kevin Maxwell knew the location of all the assets at the time of his father's death. Much of the assets consisted of shares in various Maxwell companies and it the value of current holdings is unclear.

The will in full, Page 9

Lloyd's warned of litigation

By Richard Lapper in London

LEADERS of Lloyd's Names yesterday warned of escalating legal action after its governing council rejected a bail-out scheme to help Names hardest hit by recent losses.

A minority of Lloyd's Names – individuals whose assets back the insurance market – will bear the brunt of Lloyd's estimated £2bn 1989 losses to be announced next week.

The bail-out scheme was rejected because of commercial and legal problems. Instead, help will be limited to a possible improvement of the "hardship" relief offered to Names faced with bankruptcy.

Mr Tom Benyon, chairman of the Society of Names, a group representing members in difficulty, said Lloyd's "faced death by a thousand writs".

Mr Christopher Stockwell, chairman of the Lloyd's Names Associations working party, which represents a number of Names' action groups, said: "It's a tragedy. They have missed a major opportunity and face mounting chaos."

Many Names allege that negligence by professionals in the market is responsible for their losses. More than 2,000 have taken action.

Mr Mark Farrer, chairman of the Association of Lloyd's Members, which represents more than 9,000 Names, said he was "disappointed" but accepted that there was a "significant lack of support" among more successful Names for a bail-out, which they would have to fund.

He warned that for loss-making Names "regretfully litigation is the only course that might lead to a measure of redress".

Editorial Comment, Page 14

CONTENTS

GPA abandons flotation as demand fades

By Roland Rudd in London

GPA, the privately owned aircraft leasing company, was yesterday forced to abort its planned global flotation valued at about $800m because of poor demand from institutional investors.

The move, which came early yesterday only hours before the shares were due to begin trading, followed a meeting in London between the Irish-based company and its advisers.

Institutional demand in the US collapsed at the last moment, affecting demand for shares from institutions in London and Dublin, where the flotation was due to take place. By yesterday morning there was only demand – mainly from retail investors in international markets – for 53m out of the 85m shares the company hoped to sell.

The rapid collapse of institutional demand, particularly in the US, was blamed on the falling world markets and general concerns about the state of the airline industry.

At the meeting between the company and its advisers in the early hours yesterday, Dr Tony Ryan, GPA's chairman and founder, implored his investment bankers to try to save the flotation by lowering the price or issuing fewer shares.

But the advisers, which include Nomura as global co-ordinator, Goldman Sachs and Merrill Lynch in the US, and J. Henry Schroder Wagg in the UK, felt the issue could not go ahead without sufficient institutional demand. One adviser said: "We had a duty to the retail investors as well as to the company."

The flotation had been expected to raise around $800m in new money, valuing the group at $2.4bn. Without the new money the group will have to rely increasingly on debt finance. GPA has to pay for $12bn of firm orders from manufacturers for aircraft by the end of the decade.

Mr Maurice Foley, GPA's chief executive, said: "We have never been dependent on one source of finance and will continue to tap other areas." He added that the group was likely to go back to the debt market where it recently raised $500m in a public bond issue.

■ Deal that did not fly through bad timing and nerves PAGE 14

■ Lex PAGE 16

■ Aborted global issue PAGE 18

■ London stockmarket PAGE 33

But the aborted flotation has already affected GPA's ability to raise new finance.

The group's credit rating from Standard & Poor's, the US rating agency, was yesterday placed under review for possible downgrade. Moody's Investors Service, the other big US agency, is already reviewing GPA for downgrading. Moody yesterday warned: "The aborted flotation is a negative factor."

Mr Foley said that a downgrading would be "unwelcome" but predicted that it would not significantly affect the group's ability to raise new finance.

At a meeting at its London office GPA's senior executives yesterday discussed the possibility of trying to go public again sometime in the future.

Mr Foley said that if the group does decide to try to go public again it would be more likely to do so in one market instead of trying for a simultaneous listing in three capitals.

However, one of the group's advisers yesterday said he doubted whether GPA, which was founded by Dr Ryan in 1975, could ever go public. "I am really not sure they are not best suited to remaining a private company" he said.

GPA's orders account for more than 10 per cent of the outstanding orders from the world's biggest civil aircraft makers, Boeing and Airbus.

The last-minute cancellation of GPA's flotation – unlike 3i's issue last week which was still some way from the market – is not expected to have any real impact on forthcoming issues such as Wellcome Trust, the majority shareholder in Wellcome, the pharmaceuticals group.

The UK market is currently seeing the greatest run of new issues, apart from privatisations, since the 1987 stock market crash.

Italy's Mr Clean steps into the breach

By Robert Graham in Rome

A NEW KIND of prime minister took on the challenge of governing Italy yesterday and immediately set himself the task of steering the ship of state away from the rocks.

The appointment of technocrat Professor Giuliano Amato marks a decisive break with the past, having won the job for his ability and moral qualities rather than in a backroom party deal.

He emerged from long talks with President Oscar Luigi Scalfaro and pledged action to improve public finances, clean up government and introduce institutional reforms.

The 54-year-old constitutional law professor and former Socialist finance minister said talks on forming a government could take time.

He expected to rely on the narrow parliamentary majority of Christian Democrats, Socialists, Social Democrats and Liberals which formed the previous government. However, it was clear he anticipated broader cross party support.

Prof Amato's appointment represents a break with the established practices of party-controlled politics.

He has been chosen not in a back-room deal but from necessity: as a man capable of obtaining a broad cross-party consensus with high moral standing and genuine grasp of institutional reform and economic policy. Similar considerations led to the surprise election of Mr Scalfaro as president.

He is the first post-war prime minister to be chosen more for his technical than political abilities. An academic who gradually shifted into politics, he only became a deputy for his native Turin in 1983, and most of his political experience has been as adviser and right hand man to Mr Bettino Craxi, the Socialist leader and prime minister from 1983 to 1987.

It is an equally important departure for an Italian leader to be chosen for his moral qualities. Amid growing outrage over the Milan municipal corruption scandal involving rigged contracts and pay-offs to political parties, Prof Amato represents a "Mr Clean". He is currently investigating his Socialist party's corrupt activities in Milan.

This said, the process of his selection was tortuous. The new Italian president has exploited the weakness of the main parties after the election and demanded quick agreement on their candidates for the premiership. Faced with deadlock this week, President Scalfaro took the initiative.

He said the outgoing four-party coalition lacked legitimacy after the April elections and needed a broader base. Ideally this meant the backing of the former communist Party of the Democratic Left (PDS), the second largest parliamentary grouping.

Mr Craxi objected, and insisted on his own candidature until President Scalfaro made him realise on Wednesday that this was unrealistic. Mr Craxi has been too heavily compromised by the Milan scandal.

In proposing Prof Amato as his substitute, Mr Craxi has salvaged some honour: the Socialists have their deputy leader in the prime minister's office, the Christian Democrats have the presidency and the PDS has the speaker of the Chamber of deputies. The Christian Democrats have avoided the embarrassment of having to chose a candidate when they cannot agree a successor to Mr Arnaldo Forlani, who resigned after the party's poor election showing.

The PDS and Republicans are happy to see Mr Craxi, a long-time enemy, humiliated. His absence from government makes their support more forthcoming. But the PDS was furious that the outgoing coalition managed to use its narrow parliamentary majority to fill the heads of all 26 of the chambers' commissions. As for the populist Lombard League, the second largest party in northern Italy, Prof Amato is a suitably neutral figure and allows it time to gain parliamentary experience.

Shelling halts UN relief of Sarajevo

By Judy Dempsey in Belgrade

UNITED Nations officials yesterday abandoned plans to send Canadian troops to Sarajevo to take control of the airport, after Serb irregulars renewed their bombardment of the besieged Bosnian capital.

"There is all out war here," a UN official said, adding that the UN was trying to get the Bosnian presidency, the Serb irregulars and Serbia's proxy army to sign a new agreement aimed at re-opening the airport.

Serb irregulars have blockaded the airport, preventing all food and humanitarian aid from reaching Sarajevo, whose 300,000 inhabitants have been besieged for 75 days.

Members of the Territorial Defence force, which consists of Sarajevo's Moslem, Serb and Croat communities, and which is trying to defend the city, said yesterday that any new agreement was "almost meaningless".

"The Serbs sign a ceasefire, re-group, re-arm, and then bombard the city from the surrounding hills in an attempt to divide our city," said Mr Mirsad Kulenovic, a former Yugoslav diplomat.

Mr Sefer Halilovic, commander of the Territorial Defence force, yesterday criticised the UN for not doing enough to prevent the bombardment and killings.

He said the UN had made no attempt to stop civilians in the Sarajevo suburb of Dobrinja from being taken out of their apartments by Serb irregulars.

UN officials said their mandate limited them to negotiating the re-opening of Sarajevo airport to allow an airlift of food into Sarajevo.

Western diplomats and journalists in Sarajevo said that over the past three days, Serb irregulars had entered apartment blocks and had taken residents to a prison in Pale, east of Sarajevo, the headquarters of Mr Radovan Karadzic, and General Ratko Mladic, leaders of the Serb irregulars, and Serbia's proxy army.

"The innocent civilians are taken as hostages in exchange for Serb snipers captured by the Territorial Defence," a western diplomat said. "This is happening under the eyes of the UN. This is happening every day. It is unspeakable the evil which is taking place here."

Weizsäcker hits at 'power crazy' parties

By Quentin Peel in Bonn

GERMAN politicians, undermined by growing voter apathy, declining popular esteem and scandals over pay and privileges, are now facing criticism from Mr Richard von Weizsäcker, the president.

In an interview with two leading newspaper correspondents, the former leading light in the ruling Christian Democratic Union (CDU), attacks the lack of leadership in the German political establishment, accuses the parties of being "power crazy" and irresponsible, and questions the direction of the country's unification policy.

His words have been seized upon by government opponents as an attack on the ruling coalition, and in particular on his former party colleague, Chancellor Helmut Kohl.

That was swiftly rejected by the president's office. The reality is that his criticism was aimed across the entire German political establishment, represented by the hot-house of political intrigue in Bonn.

Mr von Weizsäcker is concerned at the way party political debate appears to be undermining the constitutional basis of German democracy.

The result is that inner-party debates, and the regular "coalition negotiations" between the three parties in the German government, have become the real decision-making bodies – leaving the classic balance between executive government and parliamentary control little more than theoretical.

The president's intervention follows a series of local elections in which all the traditional political parties – his own CDU, the main opposition Social Democratic Party (SPD), the minority Free Democrats (FDP), and the Bavaria-based Christian Social Union (CSU) all lost ground, partly because of voter apathy and partly to the radical extremes of left and right.

Scandals over politicians' pay rises have undermined their public standing in Hamburg and Saarland. In the latter, Mr Oskar Lafontaine, deputy leader of the SPD, has just survived a no-confidence vote.

Two opinion polls show unprecedented popular scepticism, with those doubting the veracity of their political leaders rising from just one third in 1977, to 60 per cent this April. In another poll only 28 per cent believed the right people were leaders.

What appears to have worried Mr von Weizsäcker most of all, however, is the scepticism directly related to unification. In the east, mistrust of politicians is highest of all, and real unemployment is still rising. In the west, there is unwillingness to face the full costs of helping the east.

The president has already appealed for a new national tax to pay for the eastern economy. That was flatly rejected by Chancellor Kohl and his colleagues. His latest intervention should step up the debate.

Observer, Page 17

One of Ireland's future voters gets the hang of what to do by watching her grandparents marking their ballot papers in yesterday's referendum

Irish mist descends over Maastricht

Beyond the Pale, many perceive it as a treaty without cause, writes David Gardner

IF Ireland's voters turn out to have endorsed the Maastricht treaty in yesterday's referendum, it will have been without enthusiasm. It would also have been largely in spite of a pro-treaty campaign by the country's political establishment which created suspicion and deep irritation.

Many people are plainly angry at being patronised by what they see as a "we-know-best" elite which has done well out of Europe and hopes to do even better.

The government hijacked the airwaves, keeping its opponents off television, annoying both the Yes and No camps in its obviously rattled attempts to ram through ratification.

The country's leading paper, The Irish Times, in a strongly argued leader on Tuesday in favour of a Yes vote, was lapidary in its judgment of the government's campaign.

The government almost certainly erred tactically by overemphasising the expected cash bonanza of I£6bn (£5.5bn) from the EC's boosted "cohesion" and regional aid effort for poorer member states – money which is in question because of resistance by net contributors to the EC budget to pay it.

The referendum result, in consequence, yesterday looked as though it would be very close. A straw poll by the FT of a hundred or so people in a cross-section of Dublin and in County Wicklow showed a 51-49 margin against the treaty, with a further 18 voters claiming still to be undecided.

There were doubts about whether the fabled cohesion money would arrive, and if so, whether this meant jobs. There was concern on both sides of the abortion debate, and about the extent to which Maastricht's aspiration to a future common defence dimension for Europe compromised Irish neutrality.

"I think they're keeping us in the dark about neutrality," said Fiona Murphy, a waitress. And despite Mr Reynolds' pledge of a new referendum in 1996 if the EC assumes joint defence commitments then, she was voting no.

Ireland has done well out of the EC.

Until shocked out of its complacency by the Danes, Mr Albert Reynolds' government had not deigned to explain or promote the treaty to the populace

At one level, it gets I£6 back for each pound it puts into the Community budget. But more fundamentally, it has nearly doubled its tradeable goods sector (from 31 to 51 per cent of GDP) since entry. Europe has opened up markets and allowed this small, peripheral nation to dilute dependence on the UK for the first time in its modern history.

But neither Mr Reynolds' party, Fianna Fail, nor the three other main parties supporting the treaty, have been able to activate their powerful machines and appear to have little accurate information on door-step thinking.

"Nobody except the civil service elite is interested in or in favour of Maastricht," admits one senior Irish Eurocrat, explaining the parties' failure to canvass. Yet this probably sells ordinary Irish voters short.

Their ire is not primarily caused by Maastricht, nor do they appear Eurosceptical. Mr Christy Byrne, a small dairy farmer in the Wicklow mountains south of Dublin, was voting yes while complaining "there's nothing in this for small farmers."

Yet he felt that Ireland couldn't afford to be without Europe and that if the government were "more honest" the Yes vote would sweep it.

Anger is variously directed at politicians perceived as shifty, and the crozier power of the the church. Under the previous government, these two estates combined to toss the red herring of abortion into the treaty, as a protocol guaranteeing that no EC law would interfere with Ireland's constitutional ban on abortion.

The government subsequently tried to disentangle the two issues, by agreeing to a separate and later referendum on the rights to information on abortion, and to travel for pregnancy termination. What began as a cynical attempt to get the church on side has ended by ranging anti-abortionists and pro-choice groups against the treaty, leaving very little middle ground for Irish women, whose vote could decide Maastricht's future.

Mrs Helen Kelly, a heavily pregnant resident of Glendalough in Wicklow, was undecided on Maastricht. She was cynical about the government, and hostile to the anti-abortion campaign, as "just a way of trying to package the no vote to throw it [the treaty] over."

Her husband, Tom, a small road haulier struggling through the economic downturn, was voting yes. "I'd say go with Europe, what choice have we?"

In affluent Dublin areas like Donnybrook, Maastricht is not in doubt, yet in mixed class areas of north Dublin like Drumcondra the vote yesterday was nearly 2-1 against the treaty.

The gulf was equally visible in Bray, 12 miles south in Wicklow, now easily accessible thanks to a new by-pass part-financed by the EC regional fund. Yet in one hostelry where local working men had gathered to watch the football televised on Wednesday night, Maastricht could not muster a single indigenous vote.

"No, no and no," said Liam, "that stuff's for yuppies. There's nothing in it for Joe Soaps and the workers like me."

Irish and EC leaders have tended to take such people for granted. The future of the Maastricht treaty hung on there being just enough voters to outweigh them, even if many were saying yes out of fear of isolation from Europe rather than enthusiasm for a cause no one has bothered to kindle.

Treuhand plans for state farms

By Leslie Colitt in Berlin

EAST Germany's state farms – a quarter of the former communist country's agricultural land – are to be leased to farmers for 12 years and then sold to east Germans and westerners, including the former nobility whose large estates were confiscated after 1945, the Treuhand privatisation agency said yesterday.

The agency said it was setting up a company to supervise the leasing of 1m hectares of farmland and 400,000 hectares of managed forests. Previously only one year leases were granted, which made planning difficult for tenants. Former collective farms are not included.

Ukraine threatens to split CIS in row with Russia

By Chrystia Freeland in Kiev

THE prospect of a break-up of the Commonwealth of Independent States came closer yesterday after Ukraine stepped up its conflict with Russia over the Crimea.

An adviser to Ukrainian President Leonid Kravchuk said Russia would be asked for guarantees that it would not claim Ukrainian territory at the Ukrainian-Russian summit next week.

Professor Mykola Mykhalchenko warned that Russian failure to agree to Ukraine's demands – particularly acute because of the Russian parliament's claim to Ukraine's lush Crimean peninsula – could precipitate the break-up of the CIS. Ukraine also hopes to resolve the row over division of the Black Sea fleet and will seek agreement with Russia on deported people which would enable the Crimean Tatars to return home.

"Ukraine cannot be a member of an association together with another state which has claims on its territory," Professor Mykhalchenko said.

Prof Mykhalchenko said it was unlikely Russia would accede to Ukraine's terms, and that Ukraine may try to force Russia out of the CIS on the grounds that it is threatening other member states. Ukraine is unlikely to succeed in this but it has enough allies in the CIS, such as Azerbaijan, to cause a big rift.

Prof Mykhalchenko said the meeting at the Russian Black Sea resort of Dagomys was Russia's last chance to acknowledge Ukrainian sovereignty and show that "we, the Ukrainians, are not the ones who are souring relations."

His comments suggest Ukrainian politicians are proving immune to Russian efforts to apply economic pressure. According to Ukrainian economic experts, last week in Moscow Russian negotiators said that Russia would charge world prices for oil the moment Ukraine introduces a separate currency and leaves the rouble zone.

This could be devastating for Ukraine, heavily dependent on Russian subsidised oil, but in Paris this week Mr Kravchuk said Ukraine would introduce a separate currency, the hryvnia, in August or September.

At Dagomys Ukraine will seek an agreement on prices and the introduction of the hryvnia and a formula for dividing the former Soviet Union's debts and assets. Prof Mykhalchenko said failure to agree "could have very negative effects on relations".

WEU prepares to strap on some weapons

By Robert Mauthner, Diplomatic Editor

THE long-dormant Western European Union is today expected to agree to give itself a genuine military role, including the capacity to send peace-keeping forces to flash-points like Yugoslavia and Nagorno-Karabakh.

Foreign and defence ministers of the nine-nation organisation are meeting outside Bonn to discuss what practical military steps can be taken to implement their declaration on a common European defence identity, attached to the Maastricht treaty.

That declaration, which states both that WEU will be developed as "the defence component of the European union" and as a means to strengthen the European pillar of the Atlantic alliance, is diversely interpreted by member states.

While Britain has put the accent on the organisation's continuing close relationship with Nato, France, Germany and some other members see its role as leading gradually, but inexorably, to a common European defence policy under the political direction of EC governments.

These ideological differences, however, should not prevent ministers from taking decisions on the forces to be assigned to the WEU for purposes ranging from peace-keeping and humanitarian operations to military intervention outside the Nato area of the Gulf War type.

Mr Malcolm Rifkind, the British defence secretary, has proposed that European multinational units such as the planned Dutch-Belgian-German-British Nato division, the UK-Netherlands amphibious force or the Franco-German corps could be put at the disposal of the WEU.

The ministers are also due to give the green light to a 40-member WEU military planning cell.

In a declaration to be issued at the end of the meeting, the WEU will offer, as did the Nato Council earlier this month, to make its forces available for peace-keeping operations at the request of international organisations such as the United Nations and the 52-nation Conference on Security and Co-operation in Europe.

Decisions on whether to take part in such operations will be taken on a case by case basis by WEU member states.

The ministers are also due to invite Greece, Denmark and Ireland, the only three EC members not already in the WEU, to join the organisation as full members or observers. Of these three, only Greece has applied for full membership.

In addition, associate membership will be offered to Turkey, Norway and Iceland, who are members of Nato but not of the EC, with the right to participate fully in meetings of the WEU Council. To take account of Greece's objections to Turkey's association, a special provision will be made under which the WEU's and Nato's mutual security guarantees cannot be invoked in disputes between members of either organisation.

● The WEU will examine ways of enforcing international sanctions against Serbia, possibly with a naval blockade in the Adriatic, Mr Wim van Eekelen, its secretary general, predicted yesterday, David Buchan reports from Brussels.

Correction
Macedonians

Macedonians make up 67 per cent of the population of Macedonia. The Balkans map in Wednesday's edition of the Financial Times stated incorrectly this proportion of the population was Moslem.

EC fails to agree on multinationals

By Andrew Hill in Luxembourg

MINISTERIAL agreement on a European company statute – which would simplify the legal position of multinational companies in the Community – has again been postponed, possibly until the end of this year.

EC internal market ministers, meeting in Luxembourg yesterday, failed to narrow their differences over the European Commission's proposals.

The measure would allow multinational companies to become *sociétés européennes* (SEs). They would be subject to a single EC company law, instead of having to meet different legal requirements in each member state.

Portugal, which holds the EC presidency until the end of this month, has pushed hard for adoption of the statute. But its efforts have been thwarted, partly because of persistent objections from some member states about proposals to encourage employee participation at board level in SEs.

Britain, for example, argues that such provisions could set a precedent for binding EC company legislation later. One Portuguese official said yesterday that he thought the UK had missed a good opportunity to agree a directive over the past six months.

British officials said the technical nature of the measure meant it would probably not be considered by ministers until near the end of the UK's six-month presidency, which follows Portugal's.

● Member states were last night still discussing a directive aimed at protecting national treasures once internal EC frontiers are removed on January 1, 1993. British auction houses are concerned that a measure, allowing a wide definition of national treasures which cannot be exported, could restrict the European art market. Ministers were still discussing compromise proposals yesterday evening.

Fall in value of arms trade

By Robert Taylor in Stockholm

THE WORLD arms trade in large conventional weapons dropped by 25 per cent in value last year to $22.114bn, according to the annual survey of the Stockholm International Peace Research Institute published yesterday. The break-up of the Soviet Union was the main reason, Sipri argues.

During the 1980s that country was responsible for around 40 per cent of the global trade, but that figure had shrunk to less than 20 per cent by last year. The value of Soviet weapons exports last year was roughly 22 per cent of that recorded in 1987, says Sipri.

The US is now by far the largest exporter of large conventional weapons, accounting for 51 per cent of deliveries last year to a value of $11.195bn. The dissolving Soviet Union accounted for $3.93bn worth of arms exports. But Sipri reveals that Germany is now the third largest conventional arms supplier in the world with sales last year valued at $2.015bn – far more than China ($1.127bn), Britain ($999m) and France ($804m).

Last year there was a marked reduction in arms imports to the developing world – $12.336bn from $16,720bn in 1990. However India was the largest arms importer ($2.009bn), followed by Israel ($1.676bn), Turkey ($1.559bn) and Afghanistan ($1.220bn). Thailand increased its arms imports substantially.

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EC threatens to counter-retaliate in subsidy dispute

By Frances Williams in Geneva

THE EUROPEAN Community has threatened to counter-retaliate against the US if Washington goes ahead with trade reprisals over EC oilseed subsidies, fuelling the increasingly bitter row between the world's biggest traders.

At today's meeting of Gatt's governing council, the EC will offer the US negotiations on trade concessions in other areas to compensate for the sales lost by American soyabean producers under the oilseed subsidy regime. Washington has said it wants the subsidies dismantled. But indications were yesterday that the US may be willing at least to discuss compensation terms, thereby avoiding a head-on collision in the Gatt meeting.

On June 9, Mrs Carla Hills, US trade representative, published a list of EC exports worth about $2bn (£1bn) a year, from which about $1bn-worth will be selected for imposition of prohibitive tariffs if the two sides cannot reach a negotiated agreement.

A Gatt disputes panel has twice condemned the EC's oilseed subsidies, originally paid to processors and now paid to farmers, for violating a 1962 accord with the US under which oilseeds – soyabeans, rapeseed and sunflower seeds – enter the EC duty-free.

The American Soyabean Association claims it has lost sales of $2bn a year as a result, though the US administration puts the figure nearer $1bn.

Even so, it is the largest retaliatory package Washington has ever contemplated.

EC officials said yesterday that Brussels would be justified in counter-retaliating against unilateral US reprisals, which are outlawed by Gatt. "If one party goes outside Gatt, the other is not bound by Gatt rules either," one senior official said.

The disputes panel recommended speedy action by the EC either to dismantle the oilseed subsidies or negotiate compensating concessions, in the absence of which the US should be authorised to take reprisals. But if the US rejects an EC compensation offer, trading partners may be disinclined to sanction retaliation. Gatt officials say its legal system "is being stretched to the limit" by the oilseeds case.

Today's Gatt council meeting will hear a call by Costa Rica for consultations with the EC over a Brussels decision to extend quotas on bananas from Central America. Costa Rica, which says the decision breaches international fair trade rules, says it will take the case to a Gatt disputes panel if the decision is not rescinded.

The council will also hear requests from Albania, Estonia, Moldova and Turkmenistan for Gatt observer status ahead of possible membership. Gatt officials say other CIS states have indicated their intention to apply for observer status; Slovenia has said it wants to open membership talks.

Thai phone group looks overseas for equipment

By Peter Ungphakorn in Bangkok

THE STATE-OWNED Telephone Organisation of Thailand (TOT) yesterday awarded a contract to install and operate 1m provincial telephone lines to a Thai consortium planning to buy equipment from Canadian, French and Japanese companies.

The deal is the second part of a controversial expansion plan designed to ease Thailand's badly-congested communications system. Talks on the first part were concluded last year when a contract was awarded for 2m new numbers in Bangkok to the Charoen Pokphand Group, whose associates include British Telecom.

The government hopes investors' confidence will recover, now that a big infrastructure deal has been struck so soon after last month's political violence. A number of other infrastructure projects are under way or could be started soon, making up for investors' hesitancy after the recent political troubles.

The TOT board meeting was held in extraordinary circumstances. The chairman is Gen Issarapong Noonpakdee, army commander, who has not been seen in public since the army suppressed the anti-military demonstrations last month. The board met at the closely-guarded Army Operations Command headquarters.

The winning consortium is led by Loxley Bangkok, a Thai trading company. Its main suppliers will be Northern Telecom Canada and Alcatel, of France, and Nippon Telegraph and Telephone, of Japan. The original project was a single package for all 3m new numbers. The civilian government of Mr Anand Panyarachun, installed by the military after last year's coup, then fell into conflict with the general by ruling that the deal, originally awarded to the CP Group, was too monopolistic.

The convolutions of Thai politics have brought the Anand government back to power following the protests and the resignation of the pro-military government set up after the March general election. The generals still dominate state enterprise boards, but pressure is growing for them to be replaced by appropriate professionals.

EC ministers ready to act in procurement row

EC MINISTERS yesterday seemed ready to soothe trade friction with the US by watering down a third-country retaliation clause in new Community legislation on public procurement, Andrew Hill reports from Luxembourg.

The legislation would force utilities to put large service contracts, from maintenance and cleaning to accountancy and insurance, to open tender. The US is threatening trade sanctions over the existing directive on utility equipment contracts, which includes a clause giving priority to EC companies over third countries which have failed to open their markets to competition.

The US says this "reciprocity" clause discriminates against non-EC suppliers, mainly in the telecoms sector, and should be changed before it comes into force on January 1, 1993. EC internal market ministers were yesterday set to agree a more relaxed regime for the services directive. This would let the Commission investigate alleged discrimination against EC companies by third countries but would insist on any retaliatory steps being approved by member states.

"All this does is restate what the Treaty [of Rome] already allows," said one official from Britain, which was pressing for a more open regime. France had wanted a tougher clause, which might have inflamed the EC-US row.

OECD Export Credit Rates

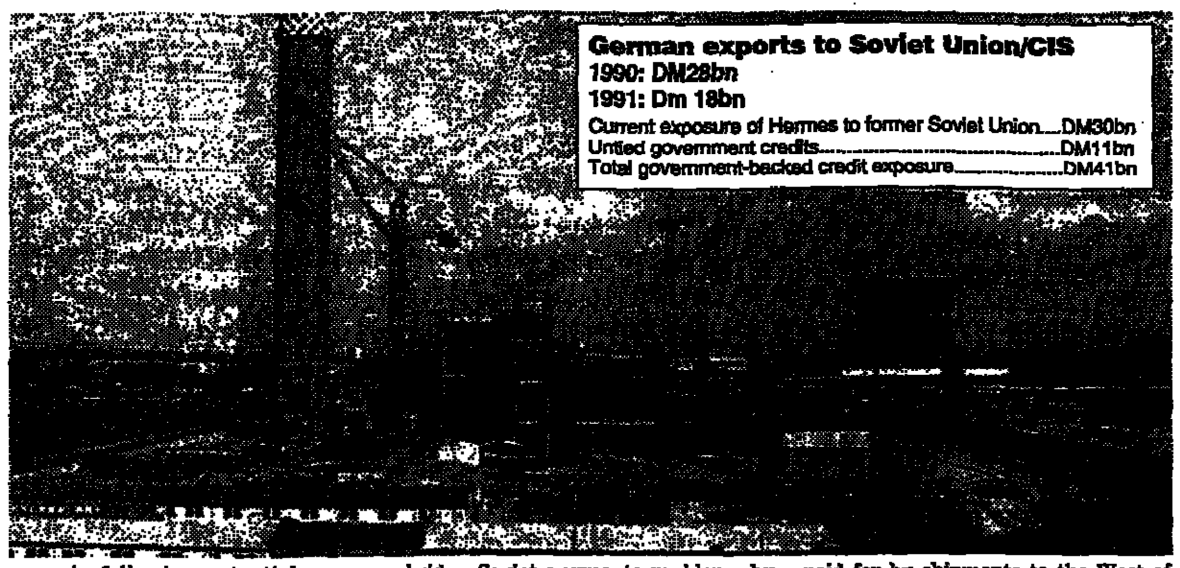
THE Organisation for Economic Co-operation and Development (OECD) announced new minimum interest rates for officially-supported export credits for June 15 - July 14 (May 15 - June 14 in brackets):

D-Mark	9.30 (9.29) per cent
Ecu	9.25 (9.36)
French Franc	10.01 (10.12)
Guilder	up to 5 years 9.55 (9.60) 5-8.5 years 9.35 (9.4) more than 8.5 years 9.25 (9.30)
Italian lira	12.04 (same)
Yen	6.10 (5.8)
Peseta	12.21 (12.28)
Sterling	10.15 (10.64)
Swiss Franc	7.86 (7.67)
US dollar	for credits of up to five years 6.18 (6.93) 5-8.5 years 7.69 (7.78) for credits of over 8.5 years 8.06 (8.15)

These rates are published monthly by the Financial Times, normally around the middle of each month.
A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for longer than 120 days.
SDR-based rates of interest are the same for all currencies but must be used only for the OECD-defined poor countries. The SDR-based rate was changed on February 15. It will be subject to change on July 15.

Exporters count the cost of Soviet market collapse

Leslie Colitt looks at the predicament of east German producers confronting a vacuum in sales outlets



German exports to Soviet Union/CIS
1990: DM28bn
1991: Dm 18bn

Current exposure of Hermes to former Soviet Union	DM30bn
Untied government credits	DM11bn
Total government-backed credit exposure	DM41bn

WHILE some west German companies have been hurt by plummeting exports to the former Soviet Union, east German producers have suffered an unmitigated disaster.

Only two years ago West Germany still managed DM28bn (£9.5bn) in exports to the Soviet Union, but this fell to DM18bn last year. The decline was even more dramatic than it appeared as the figure included east German exports for the first time. Sales to all former Comecon countries, as a percentage of total German exports, were 4.1 per cent in 1990 and 2.7 per cent last year. In the heyday of German trade with the East in the mid-1970s, nearly six per cent of German exports went to Comecon buyers.

Mr Karl-Hermann Fink, managing director of the eastern trade board of German companies trading with the East, is pessimistic. He forecast a further slide in German exports to the former Soviet market this year of between 20 per cent and 30 per cent.

Although there were a few hopeful signals, most large west German companies with sizeable exports to Moscow had registered the alarm signals early enough to enable them to switch to other markets. Mannesmann, for example, cut output and sought alternative markets for its pipes, with some success, in North Africa and South America.

But companies such as Mannesmann have kept their manufacturing capacity and retain a presence to try to prevent competitors from capturing orders when they pick up. The company is following potential energy ventures in the Commonwealth of Independent States, such as the Sakhalin oil and gas project in which Japanese companies are also interested.

Some smaller German companies, which sold a large proportion of their output to Moscow are hurting far more. The situation is worse for those not being paid by former Soviet buyers and not covered by the German Hermes export credit guarantee agency.

The shoe company, Salamander, one of the few production-oriented German joint ventures with a Soviet partner tried, not very successfully, to bridge Soviet payments problems by selling east German shoes to the Russians. The company, however, sought other markets to compensate and reported healthy earnings in April.

The impact of the trade collapse on east German companies has been a nightmare for the Treuhand agency which still owns nearly all the large producers who were dependent on the Soviet market for 60 per cent and more of their output.

SKET, the heavy engineering manufacturer in Magdeburg had placed high hopes on deals with Ukraine to modernise steel mills it had built there. The projects were to have been paid for by shipments to the West of Ukrainian rolled steel. The Ukraine even gave the necessary counter-guarantee needed in order to finalise the granting of Hermes credits. But in practice the state guarantee proved to be inoperable, a predicament which could take another year or so to be resolved.

Waiting this long would be fatal for SKET and other east German manufacturers such as Deutsche Waggonbau, Europe's largest producer of rail carriages which exported 75 per cent of its output to the Soviet Union.

"These companies need a breathing spell in order to develop new products and new markets in the West", Mr Fink said. But in the meanwhile they will require even higher subsidies from the Treuhand agency, which cannot allow them to collapse as it would deal a fatal blow to the cities and towns where they are located.

The difficulty in finding alternative markets for products developed for the former Soviet Union is illustrated by the 15 new ships ordered by Soviet shipping lines and built at Warnemünde, where they still lie at berth. Although the vessels are covered by Hermes credits, the buyers did not agree to the altered rate of currency exchange. The idle ships cost the builder nearly DM800,000 a day in insurance and maintenance charges and cannot be re-sold elsewhere without costly rebuilding.

Hermes credits to the former Soviet Union were sharply cut to DM5bn this year, mainly for the Russian Republic, and will probably only be slightly extended, Mr Fink said. This month Bonn government said that Moscow, after a long delay, had given the necessary counter-guarantees to allow Germany to release current Hermes export credit guarantees to east German companies.

A significant expansion of Hermes guarantees was politically impossible, according to Mr Fink, because of the already strained Federal budget. The collapse in orders from the CIS may also deter potential western buyers from placing orders with east German companies suspected of being candidates for closure by the Treuhand.

China opposes cabinet posts for Hong Kong Democrats

By Simon Holberton in Hong Kong

CHINA yesterday made its most direct intervention yet in the politics of Hong Kong when a senior official said Beijing would oppose the appointment of any member of Mr Martin Lee's United Democrats to the colony's Executive Council, or cabinet.

Mr Guo Feng Min, the Chinese head of the Sino-British Joint Liaison Group (JLG), said in Beijing yesterday that such appointments would not be conducive to the stability and prosperity of Hong Kong.

Mr Guo was speaking after the 23rd meeting of the JLG, a meeting which was noteworthy for the Chinese departing from the agenda to remind Britain that the Basic Law – the Chinese-drafted constitution for Hong Kong after 1997 – would not be amended before the handover to provide for more directly elected seats to the colony's legislature.

Mr Guo's remarks were an attempt to limit the room for manoeuvre by Mr Chris Patten, Hong Kong's governor-designate, before he arrives in the colony on July 9. Mr Patten was widely expected to bring Mr Lee and some of his colleagues into his cabinet.

The Democrats represent most of the democratically elected politicians in the colonial legislature following last September's elections.

But Mr Guo's remarks make plain what many have long suspected: that Beijing sees no role in Hong Kong's political life for the Democrats, whose involvement in anti-Chinese government activities after the June 1989 Tiananmen Square uprising has made Beijing deeply suspicious.

Last night, the Hong Kong government issued a brief riposte. A spokesman said that "appointments to the Executive Council were entirely a matter at the discretion of the governor."

China's intervention in local politics came on the day when four members of Hong Kong's cabinet broke ranks with the government and issued a paper calling for cuts to one of the core projects in Hong Kong's multi-billion dollar airport development.

The decision by the four, all members of a conservative grouping known as the Co-operative Resources Centre, will give added comfort to Beijing which is arguing with Britain about the cost of the airport. This week's meeting of the JLG produced no sign of when and where China proposes to meet Britain to discuss the issue of airport finance.

Mr Allen Lee, Mrs Celina Chow, Mrs Rita Fan and Mr Edward Ho joined 16 other members of the CRC to call for cuts of HK$5.5bn (£380m) in the cost of construction of a railway that is planned to link the urban areas of Hong Kong with the colony's new airport at Chek Lap Kok.

Their proposals would cut the cost of the railway from HK$22.2bn to around HK$17bn in March 1991 prices.

Their call marks a reversal by the four who, as members of the governor's cabinet, approved the financing plans for the airport and related projects earlier this year. Mr Ho is also a director of the MTRC, the government-owned entity which has contracted to build and finance the railway.

Their break with government policy throws into question their continuing membership of the cabinet. It also undermines the position of those who have been objecting to Mr Martin Lee's membership of the cabinet on the grounds of his refusal to observe "collective responsibility".

The government said it would study the CRC's paper and consult the MTRC as to its feasibility. An MTRC executive said last night that the changes proposed would damage the financial viability of the project.

Japan refuses to intervene in flagging market

By Stefan Wagstyl in Tokyo

THE Japanese authorities yesterday declined to intervene to support the country's flagging stock market, which fell yesterday to its lowest level since October 1986.

The Nikkei index lost 400.24 points to close at 16,045.56 – some 8 per cent down on the week so far and 59 per cent off its all-time high recorded in 1989.

The market has been hit by gloomy reports about the state of the economy, including a survey by the Bank of Japan published last Friday which showed business confidence had sunk to a five-year low. Investors' fears have been compounded by warnings from securities companies of further declines in corporate profits.

Many investors and businessmen alike believe the economy will recover only if the government and the Bank of Japan take measures to boost growth, including an increase in public works spending and a further cut in interest rates.

Mr Gaishi Hiraiwa, chairman of the Keidanren, the employers' federation, yesterday called for extra public works spending to boost the economy. But Ministry of Finance officials said there were no plans to intervene in the stock market or to increase public spending. Mr Tsutomu Hata, the finance minister, told a Diet committee that the government was still monitoring the effects of a public works spending package announced at the end of March and of a cut in the official discount rate in April. However, many economists believe it is a matter of time before the government and the Bank of Japan consider further such measures.

Japan is under US pressure to make a strong pledge to promote growth at the Group of Seven leaders' summit in Munich early next month.

● Reuter adds: Japan said yesterday it extended a record $11bn (£6bn) in official development assistance in 1991, up 19.6 per cent from the year before.

The sum accounted for 0.32 per cent of gross national product against 0.31 per cent in 1990, the Foreign Ministry said.

ILO reports trade union repression

By Frances Williams in Geneva

SOME 200 trade unionists died in the 15 months to March as repression of trade union activity continued in many parts of the world, the International Confederation of Free Trade Unions (ICFTU) says in a report published today.

The ICFTU's annual report to the International Labour Conference in Geneva cites abuses of trade union rights in 85 countries, including 2,000 cases of detention and numerous instances of death threats, abductions, disappearances, harassment and spying.

Colombia – where over 50 trade unionists were murdered in the survey period – China, Guatemala, El Salvador, Iran, Peru, Sudan and South Africa "are the world's most dangerous places for trade unionists", the report says.

The ICFTU says an increasing number of companies, often multinationals operating in developing countries, are resorting to mass dismissals to oppose workers' basic demands. More than 50,000 workers were sacked in the survey period for activities recognised as legitimate under international conventions, the report notes.

It also draws attention to evidence in a growing number of countries of connivance between managers, landlords and local security forces.

The previous year's report listed 264 deaths and 2,422 detentions, citing 72 countries.

Massacre arouses fury in S Africa

By Philip Gawith in Johannesburg

THE ALREADY tense relations between the South African government and the African National Congress (ANC) were pushed close to breaking point yesterday following the massacre on Wednesday night of nearly 40 people in the Boipatong township south of Johannesburg.

The incident follows the start earlier this week of an ANC's mass action campaign, aimed at breaking the deadlock in constitutional negotiations. The government had fiercely criticised the campaign, saying it would aggravate the high levels of violence in the townships.

The massacre will complicate prospects for reaching agreement at the Convention for a Democratic South Africa (Codesa), the constitutional negotiating forum, where relationships between the government and the ANC have deteriorated sharply in the past few weeks.

Following a trip around the township, near Vanderbijlpark, yesterday Mr Cyril Ramaphosa, ANC secretary general, said: "This type of violence could lead to negotiations being derailed. The negotiations process is going through a stage where it is being jeopardised by the government."

He added: "The collective charge sheet against the apartheid government is being drawn up and President de Klerk is accused number one."

Most witnesses of the attack, which left at least 37 and possibly as many as 50 people dead, said it was conducted by residents of the nearby Kwamadala hostel. There have also been suggestions of police involvement.

The hostel, which houses residents for the nearby Iscor steelworks, is known to be a stronghold of the mainly Zulu Inkatha Freedom Party. Inkatha yesterday denied any link to the massacre and challenged the ANC to provide concrete evidence of the involvement of hostel dwellers.

The failure of the government to curb violence has long been a main point of contention between it and the ANC, which has repeatedly accused the police of complicity or indifference to acts of violence against black people.

The government will probably link the massacre to the climate created by mass action. Captain Craig Kotze, a police spokesman, said yesterday: "It is now quite obvious that the political temperature has been pushed unacceptably high [by mass action] and has created a climate which can make incidents such as these that much easier to happen."

A police investigation has been launched into the attack, which is believed to be the worst single incident of violence in nearly 18 months.

US presses India on nuclear curbs

By K K Sharma in New Delhi

A US delegation of officials yesterday pressed India to attend a conference of South Asian countries on nuclear non-proliferation.

India is not a signatory to the Nuclear Non-proliferation Treaty (NPT), despite having exploded a nuclear device in 1974, arguing that the treaty discriminates in favour of established nuclear powers.

Pakistan proposed the five-nation conference for a nuclear weapons-free zone, to which China – another nuclear power that has refused to sign the NPT – is to be invited.

While the US still feels that India should sign the NPT, it sees the conference as the next best alternative. India has not specifically turned down the proposal, but believes it does not tackle the issue of nuclear proliferation. It also feels that the Pakistan proposal does not take into account its security needs. Officials said the proposed conference does not place controls on Pakistan's clandestine nuclear weapons programme.

Also discussed at the two-day Indo-US talks were US curbs on spares and components for research and development in India's missile technology programme. The curbs were imposed after India recently tested an intermediate ballistic missile despite US disapproval.

Palestinian peace team meets Arafat

By Hugh Carnegy in Jerusalem

SENIOR PALESTINIAN delegates to the Middle East peace talks last night held their first public meeting with Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, in a pointed challenge to Israel a few days before next week's general election in the Jewish state.

The carefully staged encounter in Amman was accompanied by an appeal by Mr Yasser Abed-Rabbo, a senior PLO executive committee member, for Israelis to "vote for peace" in next Tuesday's poll. He said there would be little optimism if the ruling Likud party returned to power.

Although Mr Abed-Rabbo did not mention the opposition Labour party by name, the right wing is bound to use his words to portray Labour, which supports a more conciliatory stance in the peace talks than Likud, as being supported by the PLO, Israel's great enemy.

But this did not deter the PLO going ahead with last night's event at which Mr Faisal Husseini, the leader of the Palestinian negotiating team, Mrs Hanan Ashrawi, the spokeswoman, and Dr Haidar Abdel-Shafi, the chief negotiator, met and embraced Mr Arafat in front of reporters and cameramen summoned for the event.

Israel has insisted on keeping the PLO out of the Middle East talks and Israeli law bars any contact with the PLO. The negotiating team have had several previous private meetings with Mr Arafat, which the Israeli government chose to ignore. But the public flaunting of Israel's position on the eve of elections may force Mr Shamir to take some action.

"This is the last step to reaffirm that the PLO is the reference for the Palestinian delegation to the peace talks," said Mr al-Tayyeb Abdul-Rahmin, the PLO's ambassador to Jordan.

Thai call for growth to avoid violence

By Peter Ungphakorn in Bangkok

MR Anand Panyarachun, the Thai prime minister, yesterday called for close co-operation between the government and the private sector to revive the country's economy and avoid a repeat of last month's political violence.

His comments, made in his first speech since his deadlock-breaking appointment on June 10, referred indirectly to two key issues that need to be resolved if public confidence is to be revived.

These are the kind of government that will emerge after elections in August or September, and what will happen to military commanders who are still in their posts despite being blamed for using weapons of war to suppress demonstrations in Bangkok (leaving more than 40 protestors killed and several hundred missing).

Mr Anand echoed the views of many analysts by attributing the conflict to the failure of the political system, traditionally dominated by the military, to keep up with the rapidly expanding business sector.

His call for a greater business role in easing political tension as well as in devising economic policy coincided with moves by a group of leading business figures to promote "better" politicians.

The group announced yesterday it was setting up a fund to support candidates it believed would be less likely to buy votes and to engage in the politics of power and personal patronage that led to last month's protests.

Members of the group said they would boycott members of the five coalition parties whose decision to back as their prime minister General Suchinda Kraprayoon, former army chief, triggered the anti-military campaign.

Mr Anand made his speech at a seminar organised by industry, trade and banking associations. A former diplomat and businessman himself, he said he had accepted the invitation because the business community was determined not to allow a repeat of the conflict. He also said he would use closed-door diplomacy to work out a face-saving compromise on the future of the military leaders.

NZ targets UK immigrants

By Terry Hall in Wellington

NEW ZEALAND is to target the British Isles this year in a pilot programme to attract "quality" migrants.

The emphasis recently has moved from promoting migration to New Zealand in Britain towards attracting immigrants from round the world. This has led to substantial numbers of Asians gaining citizenship.

While there is no change in what is, in effect, a global quota of 25,000 a year, the new scheme is expected to see 4,000 British migrants this year compared with 3,000 last year.

Cumbersome rules – such as intending migrants must first have job, and no New Zealand resident should be able to do it – have been relaxed.

Turkmens revert to the days of the Khan

Steve Levine on the certain result of Sunday's presidential election in Turkmenistan

VOTERS go to the polls on Sunday to elect a president in the former Soviet republic of Turkmenistan. They know who the winner will be. Mr Saparmurad Niyazov, the former Communist party boss, is standing for a further term and has brooked no opposition.

A committee of the republic's compliant ruling council approved his candidacy and allowed no others to register. The state-run newspapers and just about everyone on the streets say no one really minds.

Mr Niyazov has clearly instilled fear in the local population – few will criticise him, even privately. The ubiquitous response to anything but routine questions about Mr Niyazov is, "People don't speak about that."

At the same time, political analysts add that Turkmens look for central, strong leadership, and note that Mr Niyazov won the October 1990 election with 98.3 per cent of the vote. "If you had all the possible opposition candidates registered, possibly Niyazov's victory would be only 92 per cent," said a western resident.

The Benetton shop in downtown Ashkhabad purveys, for hard currency, a colourful

selection of beachwear. And buyers snapped up five new Renaults this month at the former Soviet republic's first western trade fair. But modernity is coming only fitfully to Turkmenistan, which is still ruled largely like the nomadic, desert kingdom it once was.

The conservative Mr Niyazov is in many ways as powerful as was the Khan of Merv whom the Bolsheviks destroyed. Turkmenistan's series of Khans had power of life and death over their subjects before the 20th century.

"Communism here was just the old feudalism in red colours," said a Russian who grew up in Ashkhabad. "Now the system has just passed back to the old way." More to the point, said an ethnic Turkmen, "In this country there are not laws. There are instructions."

Mr Niyazov was educated in St Petersburg and is Russified. Indeed, he is said to consider Russia something of a big, wiser brother, to be consulted on the various foreign proposals that cross his desk.

Mr Niyazov rose through Party ranks and was appointed Turkmenistan's first secretary by then Soviet President Mikhail Gorbachev in 1985. He is an engineer by education and is married to a Russian. His excellence as a political strategist, was demonstrated by his survival after the Soviet Union's collapse in December.

In a land where, until relatively recently, you had to be able to recite your tribal background and ancestors for seven generations to get anywhere, Mr Niyazov is an orphan with no provable ancestry at all.

In addition, though, there is the former Communist party structure built up over the last seven decades. Mr Niyazov juggles them. "His power comes from the past, and from his personality. He's a very capable man," said an Asian scholar on the region. Helping to strengthen Mr Niyazov's position as well is the absence of Moslem fundamentalism despite a largely Sunni Moslem population.

Mr Niyazov has concentrated power in his office and that of two lieutenants. They are his trade minister, Mr Valeri Otsersov, an ethnic Russian; and his investment committee director, Mr Atah Charlov, who has ancestors from the important Tekke tribe of Merv.

This concentration makes Mr Niyazov's 16-member ruling council largely superfluous, and frustrates investment initiatives by foreigners and locals alike.

As factories and flats quickly go private throughout the former Soviet Union, Mr Niyazov has declared that in Turkmenistan no dwelling shall be sold for a decade, and that the state will relinquish no share of its enterprises.

Mr Niyazov's conservatism is rooted at least partly in fear of the business "mafias" that have sprung up elsewhere in the former Soviet Union, according to state officials. "If we give up state property to private people, there will just be a lot of theft," said Mr Abdi Kuliev, foreign minister.

Western and regional interest has been high. The wealth expected from Turkmenistan's natural gas and oil – 10,000bn cubic metres of proven natural gas reserves and 213m tonnes of oil, according to the state – has attracted ample attention. Turkmenistan is negotiating to supply Ukraine and other republics for hard currency, while Italian interests are seeking to arrange a barter deal under which they would finance a refinery. But foreign approaches have so far run up against the republic's go-slow attitude to development.

Its location between China to the east and Iran and Turkey to the west and south are also selling points. One project going ahead is a venture with Iran to build a railway which provide the final link of a track from Beijing to Istanbul.

Mr Niyazov has lavished attention on his frequent foreign visitors, housing some in the old Communist party hotel and holding banquets in their honour. But this attention – representatives of General Motors and Rank Xerox have called this month – has not quickened his pace of reform.

He apparently feels in no rush. "The people here have nothing against the old traditions," said a Russian professional based in Ashkhabad. "That's why Niyazov's position is quite stable."

Sharp rise in US trade deficit

By Michael Prowse in Washington

OFFICIAL figures showing a sharp rise in the US merchandise trade deficit in April provided an early warning yesterday of possible adverse trade trends later this year, if the US economy continues to revive and demand remains subdued elsewhere.

The deficit jumped from \$5.4bn in March to \$7bn, the greatest shortfall for 17 months, the Commerce Department said.

The unexpected deterioration reflected the combined impact of a jump in imports and a fall in exports.

Wall Street analysts were taken by surprise, having forecast a deficit of about \$5.7bn.

The deterioration in April, however, overstates the rate at which the deficit is widening. For the first four months of the year, the deficit grew modestly – to \$21.6bn compared with \$20.8bn last year. Exports were up 6.5 per cent relative to last year.

● Separate figures yesterday for weekly unemployment insurance claims indicated continuing softness in US labour markets. Claims fell 2,000 in the week ending June 6 to 407,000.

A significant improvement in job prospects is not expected so long as the claimant total remains stubbornly above 400,000.

Menem pushes for second term

THE campaign to amend Argentina's constitution and allow President Carlos Menem to seek a second term formally begins today in his home province of La Rioja, with a conference of Peronist party provincial legislators, John Barham reports from Buenos Aires.

Mr Menem, who is near the middle of his six-year term, has forcefully instructed Peronist party leaders to fight for an amendment, while claiming in public that he is not particularly interested in re-election.

Congress spending axe threatens supercollider

By George Graham in Washington

TEXAN politicians yesterday began a desperate rearguard *action to try to save the Super*conducting Supercollider, after the House of Representatives voted to kill the \$8bn scientific research project.

The supercollider's goal is to find out more about subatomic particles by smashing them against each other in a 54-mile oval tunnel, now under construction near Waxahachie, Texas.

But the project, derided by its critics as a pork-barrel scheme with no scientific value, appears to have fallen victim to Congress's new enthusiasm for cutting expenditure.

"The House was looking for a blood sacrifice and they found it in the Supercollider," said Congressman Joe Barton, in whose district Waxahachie lies.

Supercollider funding could be *restored by the Senate, but* its leading backer there, Senator Bennett Johnston of Louisiana, warned yesterday that it faced an uphill fight.

The spending axe in Congress has been much sharpened by a recent surge of attention to the spiralling federal budget deficit. A bid to amend the constitution to require the government to balance its budget narrowly failed last week to win the necessary two-thirds majority in the House.

After signalling their attachment to the principle of fiscal rectitude, the 280 members who voted for the constitutional amendment appear to be shy of showing hypocrisy by voting so soon afterwards for lavish spending projects.

House committees have agreed in recent days cuts in defence spending – and even *in the Congressional operating* budget.

The supercollider has had its critics since it was proposed in 1986, among them scientists who feared it would take almost all the federal money available for scientific research. The administration claimed at first that it would cost \$5.3bn, but its estimate has since risen to \$8.2bn, and critics' estimates run to more than \$11bn.

Texas chipped in \$1bn in order to lure the supercollider to Waxahachie, but the administration has claimed all along that a quarter to a half of the cost would be met by foreign participation.

Brighter prospect of US help for Russia

By Jurek Martin, US Editor, in Washington

THE prospects for Congressional approval of the US contribution to the \$24bn international assistance package to Russia have been much improved, but not guaranteed, by President Boris Yeltsin's speech to the US legislature on Wednesday.

Yesterday, Mr Bill Clinton, the prospective Democratic presidential candidate, had breakfast with the Russian president and afterwards urged Congress to take swift action.

Mr Clinton rejected any link between the provision of assistance and Russian progress in identifying US prisoners of war who may have been held on Russian soil. "We have no reason to believe that he [Mr Yeltsin] will not proceed in complete good faith on that. We would not even know about that issue had he not raised it," Mr Clinton said.

The Congressional leaders still have not set a date for formal consideration of the aid package, the grandly titled Freedom Support Act. Yesterday, Senator John Warner, the Virginia Republican, predicted a vote "in a week or 10 days."

Mr Yeltsin's speech and personal lobbying seem to have swayed doubters on both the Republican right and Democratic left.

The most conspicuous convert was Senator John McCain, the Republican from Arizona and a former prisoner of war, while Senator Patrick Leahy, the Vermont Democrat and sceptic on the efficacy of aid to Russia, conceded that the Yeltsin speech "will win him a lot of votes."

However, Congress *still* expects President George Bush to follow the successful summit by canvassing hard in the days to come on Capitol Hill. The president said he thought support in Congress for Russian aid was now "overriding."

Critical voices still resound, even so. For example, Mr Ray Flynn, mayor of Boston, said yesterday it was "outrageous" that Congress should "bail out" Russia while providing "a pittance" to American cities.

Emergency urban aid package near

AN emergency urban aid package looks set to come to fruition in the US, seven weeks after the Los Angeles riots sparked a new political interest in helping the distressed inner cities, reports George Graham in Washington.

The House of Representatives was due to vote on the urban aid bill yesterday, after a hard-won compromise between Democratic Congressional leaders and the Republican White House.

The final package roughly splits the difference between an administration-backed proposal to provide \$500m of disaster aid – to cover the damage caused by the Los Angeles riots as well as the Chicago floods in April – and a more ambitious Senate plan. The latter's proposals, backed by Democrats but also by some Republicans, would have added \$1.4bn more for summer job creation, youth and crime-fighting programmes.

Argument over these proposals has held up action to help the cities for weeks.

Venezuela trims growth projection

By Joe Mann in Caracas

VENEZUELA has reduced its economic growth projections this year to 4-5 per cent, from the 5-6 per cent or more forecast at the start of the year, Mr Pedro Rosas, finance minister, said.

Due to lower than expected world oil prices, the central government and PDVSA, the national oil company, have both ordered big budget cuts, thus reducing projected economic growth from the record high expansion of 9.2 per cent in 1991.

It is still uncertain what impact Venezuela's ongoing political crisis and the accompanying uncertainty will have on the economy. Last February, a group of army officers tried unsuccessfully to oust the government of President Carlos Andrés Pérez. Since *then, the country has been* afflicted by violent anti-government protests.

The minister said the government was now expecting a general fiscal deficit of about 5 per *cent of GDP for 1992. Of* this, 3.5 percentage points would be caused by PDVSA's ongoing capital investment programme while 1.5 points would be due to the central *government's fiscal shortfall.*

PDVSA will finance most of its deficit through international credits, the minister said. In April, Mr Gustavo Roosen, PDVSA president, said *his company's external debt* was \$2.17bn and its obligations to Venezuelan banks the equivalent of \$923m.

The Venezuelan government registered surpluses in its con*solidated budgets in both 1990* and 1991. The national oil company provides the government with most of its tax revenue, and officials now expect petroleum exports this year to *total about \$10.9bn – down* from an earlier estimate of \$13.5bn.

Despite the political problems, foreign investment during the first four months of *1992 was considerably higher* than for the equivalent period last year, Mr Rosas said.

Perot factor unnerves the Mexican market

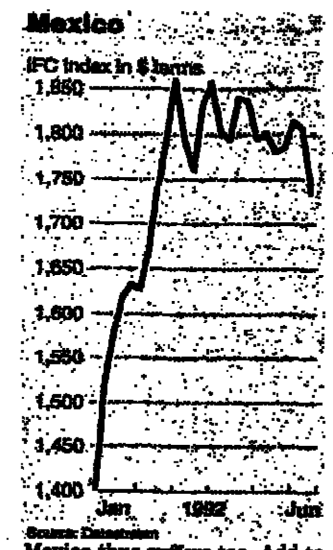
US commitment to Nafta dents expectations of an imminent economic miracle, writes Damian Fraser

ROSS Perot as US president may still be unlikely, but the prospect of a close US presidential race this autumn is causing increasing anxiety among Mexican officials and, more significantly, investors in the country's volatile stockmarket.

The Mexican Bolsa fell 12 per cent in the first three days of the week, partly recovering by yesterday. The plunge was in part because of Mr Perot's (admittedly inconsistent) declarations against the proposed North American free trade agreement. The fear is not just that he might win, but that his popularity might force Bill Clinton, the Democratic candidate, and wavering congressmen to be much more circumspect in their support for the agreement.

Although Mexico's economy *is in its best shape for at least* 20 years, the country remains acutely dependent on events in the US. Some 70 per cent of Mexico's trade is with its northern neighbour, and if US *growth were to remain slug*gish, Mexico's exports would suffer. More important, Mexico is likely to run a current account deficit of more than \$16bn this year, and depends *on mainly US capital inflows to* plug the gap.

If the political uncertainty engendered by the Perot candidacy affects the US economy,



Mexico thus suffers too. Add to that the fear that Nafta will *not be passed, and the recent* gloom in Mexico becomes understandable.

Nafta matters, says one investment banker visiting Mexico, because it will encour*age fund managers to treat* Mexico as part of North, rather than Latin, America. Mexican risk will fall appreciably, and Mexican companies will thus be valued more like US than *say Brazilian ones. For a coun*try which culturally and politically is much closer to most Latin American nations than the US, that is quite a feat.

Mr Jorge Mariscal, an analyst at Goldman Sachs, put the case for the agreement succinctly. "For investors considering Mexico it [Nafta] means an historical shift in Mexican attitudes towards its northern partners and therefore a drastic reduction in the perception of risk. Under Nafta, Mexico would find it very difficult to revert to the protectionist, interventionist economic models which characterised the 70s and 80s". If the agreement is in doubt, the reverse logic can be applied.

The Mexican government is probably kicking itself for not starting the free trade talks (in earnest) until September last year. Like almost everyone else, they overestimated the popularity of US President George Bush, and believed that his commitment to a free trade agreement was enough. Now they will have to sit through the next six months, quietly cheering on George Bush, while making discreet overtures to Bill Clinton.

The government has argued that the underlying economy is in good shape. Mexico's total debt to GDP ratio is 29 per cent, against 74 per cent when President Carlos Salinas came *to power, suggesting that* Mexico has put the debt crisis behind it. Inflation is falling and is likely to be around 12 per cent this year, while the budget is in surplus. With or without Nafta, the foundations for stable economic growth appear to have been built.

The trouble is that Nafta has raised expectations of an imminent "Mexican miracle". This year alone Mexican companies have issued an estimated \$4bn in equity, in an attempt to raise capital in anticipation of integration with the US. Banacci, the financial group comprising Mexico's largest bank, was planning to issue \$1.5bn of new equity next week, although the recent falls in the stockmarket mean it may have to offer fewer shares, at a discount. Many banks and companies in line to issue stock after Banacci may now postpone.

The inconsistent stance by Ross Perot (left) on Nafta troubles President Carlos Salinas's government

Union urges inquiry into Courage pension fund

By Michael Smith, Labour Correspondent

CITY regulators have been asked to investigate the pension fund manager of Courage, the brewer, after the fund was forced to write off a £10m investment in a company related to Foster's Brewing Group, Courage's Australian owner.

The Transport and General Workers' Union has written to Imro, the self-regulatory body for the fund management industry, urging an inquiry.

The union also wants Imro to look at the separation of the fund management from the main company. The investment manager for the fund is Pyrford International, formed by the managers of Elders Investment Management in early 1991 in a buy-out from Foster's, then known as Elders IXL.

Courage said that since the write-off in 1990-91 the trustees had decided to invest no further money in companies related to Courage and Foster's. The pension fund also owns the head office of Courage, at Staines, Middlesex.

Imro said it was considering the TGWU letter and had had talks with the Occupational Pension Board, Courage, the fund trustees and the union.

The TGWU request follows the appointment of receivers earlier this month to Mr John Elliott's International Brewing Investments, which had a 32 per cent stake in Foster's.

The receivers were appointed by BHP, the Australian energy and steelmaking company, following the end of a moratorium on interest payments on about A$2.6bn of debt acquired by IBI to finance the purchase of its Foster's shareholding.

In a letter to Imro at the end of May, Mr Brian Revell, TGWU acting national official, said his union and its Courage members had been concerned for some time that the ownership structure had major debt problems.

The £10m pension fund write-off followed an investment of that amount in 1988 in Harlin Holdings, now known as International Brewing Holdings, which was used by Mr Elliott and others to buy shares in Foster's.

According to the fund trustee's report for 1990-91, the investment has "like other leveraged stocks, seen its market value tumble in 1990". Courage said the write-off compared with funds under management last June of £288m.

Government emphasises significant drop in average earnings

Jobless rate climbs to 9.6%

By Emma Tucker, Economics Staff

THE NUMBER of people out of work in the UK climbed to more than 2.7m last month, the highest level for nearly five years.

Although the 21,300 rise in the jobless total in May was smaller than most economists had forecast, it pushed the unemployment rate to 9.6 per cent. It followed a rise of 42,600 in April.

With convincing signs of economic recovery still absent at the end of a week in which a string of economic statistics has been released, the government yesterday pointed to a slowdown in the average rate of increase in unemployment and a significant drop in the rate of growth of average earnings.

Commenting on the unemployment figures Mrs Gillian Shephard, the employment secretary, said: "The average rate of increase in unemployment in the latest three months is the smallest recorded for any three-month period since the three months to September 1990."

In the three months to May unemployment grew by an average of 23,900 a month compared with 29,400 in the three months to April.

The number of people out of work has risen by 70 per cent since unemployment levels started to go up 25 months ago. The Department of Employment's estimate of the trend is for it to continue to grow by between 25,000 and 30,000 a month for the rest of the year.

Other figures from the Department of Employment showed that average earnings growth eased to 7 per cent in the year to April. In spite of falling inflation and rising unemployment throughout the recession, this was the lowest rate of earnings growth for 25 years. It is expected to carry on falling as lower pay settlements in the second half of last year feed through to the index.

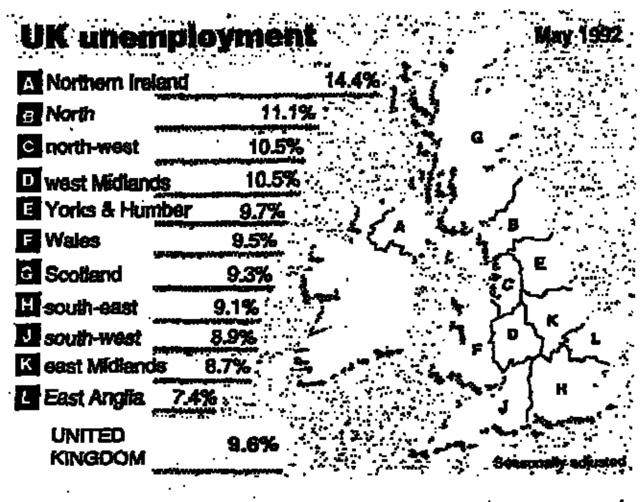
The slow-down in average earnings growth contributed to a sharp drop in unit wage costs and a rise in productivity in April. Mrs Shephard said that the containment of wage costs would help to protect and create jobs.

Mr Tony Blair, Labour's employment spokesman, described the rise in the jobless total as dire.

"It is now clear that the government's pre-election promises of a quick economic recovery have evaporated in the post-election light of day," he said. Unemployment increased in all parts of the UK but continued to rise fastest in London and the South-East.

Since May last year the number of people out of work in this region has risen by 2.4 per cent with one in 10 now unemployed. The seasonally adjusted month-on-month increase of 10,100 was more than three times the size of monthly increases elsewhere.

Other regions where unemployment rose faster than average included the East Midlands, the West Midlands and the South West. The lowest rate of increase was in Scotland where unemployment was only 0.6 per cent higher than a year ago. The unemployment rate for men was 12.9 per cent, significantly higher than the rate for women which was 5.2 per cent in May.



Major determined to keep EC enlargement on track

By Philip Stephens, Political Editor

MR JOHN MAJOR, the prime minister, last night underlined his determination to prevent uncertainty about the Maastricht accord from derailing British plans to place the future enlargement of the EC at the centre of its community presidency.

In talks in Downing Street with Mr Anibal Cavaco Silva, the Portuguese prime minister, Mr Major said he wanted next week's Lisbon summit to give a clear signal that the EC was ready to accelerate negotiations on the entry of the EFTA countries.

Mr Major plans to use the British presidency to lay the groundwork for detailed negotiations with Sweden, Norway, Finland and Austria in the first half of next year.

Assuming that the result of the Irish referendum on Maastricht today is positive, the British prime minister also wants the summit to give the go-ahead for work to define more closely the responsibilities of the Community.

Spelling out the implications of the "subsidiarity" provision is seen as a key element in any deal to allow Denmark a second referendum which might endorse the treaties on political and monetary union.

Mr Major would like during the British presidency to shelve Mr Jacques Delors' proposals for a large increase in the Community's resources.

In spite of the clear rejection by EC finance ministers of any increase on the scale recommended by the Commission president, however, British officials believe Spain will lead a group of southern countries determined to keep the issue on the agenda.

So Mr Major will be looking for a political declaration from the 12 leaders which signals that the EC must respect the same budgetary constraints as national governments. The aim would then be to agree a modest increase in resources at December's Edinburgh summit.

In the House of Commons yesterday Mr Major repeated his insistence that Britain would not follow Denmark, Ireland and France in holding a referendum. He said such a vote would fall outside Britain's traditions of parliamentary sovereignty.

The cabinet deferred until next week its formal decision to endorse Mr Delors for the another two years. The deferral was intended to frustrate Conservative Euro-sceptics' opposition to Tory backing for the current president. Ministers will approve the re-appointment just a few hours before Mr Major flies to the Lisbon summit on Thursday.

British Rail losses rise to £150m

By Richard Tomkins

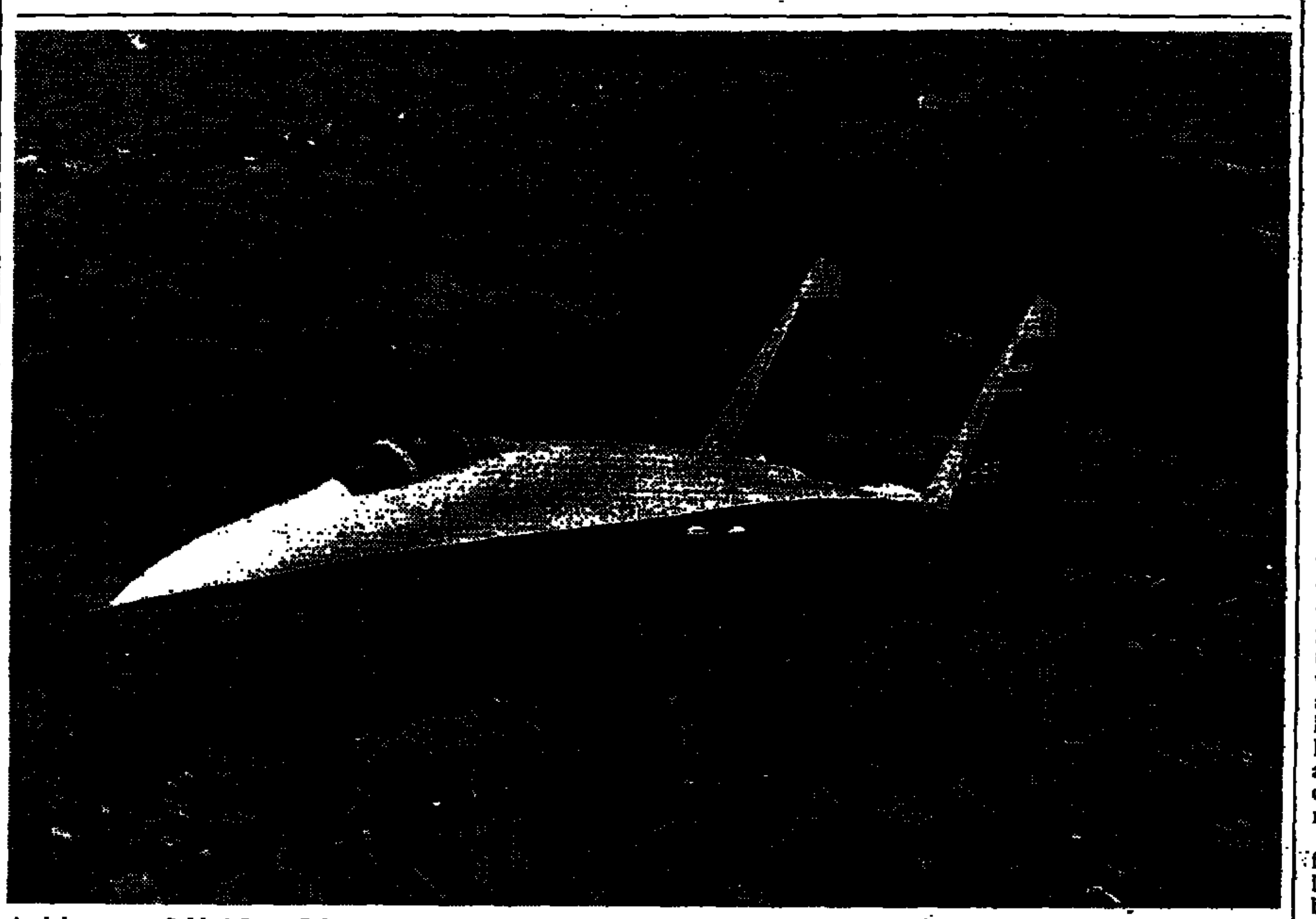
BRITISH RAIL is about to announce that its losses for the year to March have increased sharply from the previous year's £10.9m to a worse-than-expected £150m.

The scale of the losses will greatly increase the government's difficulty in stimulating private sector interest in its plans to denationalise BR.

All the passengers sectors have suffered a decline in revenues, partly because commuting has declined with the rise in unemployment and partly because fewer people are travelling for leisure or shopping.

InterCity, which has been profitable for the past five years and receives no government subsidy, is believed to have turned in an operating profit of barely £5m compared with the previous year's £49.7m. The two subsidised sectors – Network SouthEast, which lost £154.9m last year, and Regional Railways, which lost £503.4m – will report heavy increases in their losses, although these will be mostly offset by increases in government grants.

The freight side has also performed badly. Although Trainload Freight, the bulk freight business, is expected to turn in a profit, losses at Railfreight Distribution are believed to have worsened from the previous year's £152.3m.



Aerial power: a Sukhoi Su 27 fighter, Nato codename Flanker, was put through its paces above London's Thames Barrier yesterday. It is one of the most advanced fighters built in the former Soviet Union. The aircraft is equipped to carry up to 10 air-to-air guided missiles. Sponsored by a Russian insurance company, the Flanker is visiting Britain for the Biggin Hill air show in Kent, where it is part of a newly-established Russian aerobatics team called The Test Pilots *Photograph by Glyn Genin*

FULL LIST OF CHARGES

against Kevin and Ian Maxwell and Larry Trachtenberg

The full charges faced by Kevin Maxwell, Ian Maxwell and Larry Trachtenberg are:

KEVIN MAXWELL

1 That you did, together with Larry Trachtenberg on divers days between May 1 and December 10 1991, conspire together to defraud the Swiss Bank Corporation of £55,783,466.76 by dishonestly being party to the sale of securities belonging to the First Tokio Index Trust Ltd which you knew was contrary to representations and warranties given to the said bank.

Conspiracy to defraud contrary to the common law.

2 That you did, together with Larry Trachtenberg, on or about September 30 1991, steal a portfolio of securities quoted upon the International Stock Exchange managed by Lloyds Investment Management Ltd to a value of £7,009,056 being the property of MGPT Ltd.

Contrary to Section 1 Theft Act 1968.

3 That you did, together with Larry Trachtenberg, on or about October 22 1991, steal a portfolio of securities quoted upon the International Stock Exchange managed by Lloyds Investment Management Ltd to a value of £12,446,703.56 being the property of MGPT Ltd.

Contrary to Section 1 Theft Act 1968.

4 That you did, together with Larry Trachtenberg, on or about October 22 1991, steal a portfolio of securities quoted upon the International Stock Exchange to a value of £5,067,292.86 being the property of AGBPT Ltd.

Contrary to Section 1 Theft Act 1968.

5 That you did together with Larry Trachtenberg, on or about October 31 1991, steal a portfolio of securities quoted upon the International Stock Exchange managed by Invesco MIM plc to a value of £12,375,215, being the property of MGPT Ltd.

Contrary to Section 1 Theft Act 1968.

6 That you did, on or about October 22 1991, steal a portfolio of securities quoted upon the International Stock Exchange formerly managed by Thornton Investments Management Ltd to a value of £6,939,885.46 the property of MGPT Ltd.

Contrary to Section 1 Theft Act 1968.

7 That you did, between November 4 1990 and November 9 1990, steal one million Berlitz International Incorporated common stock shares, belonging to Macmillan Incorporated.

Contrary to Section 1 theft Act 1968.

8 That you together with Ian Maxwell and Larry Trachtenberg on divers days between November 10 1991 and November 14 1991, conspired to defraud the Swiss Volks Bank (the bank) of $35.5m dishonestly and falsely representing two officers of the bank:

(i) That Robert Maxwell Group plc was the legal and beneficial owner of 2.4m common shares in Berlitz International Incorporated (the shares).

(ii) That Robert Maxwell Group plc had the right to execute, deliver and to perform its obligations pursuant to a pledge agreement between the bank and Robert Maxwell Trading plc.

(iii) That the Robert Maxwell Group plc had good and marketable title to the shares, free of any and all security interests or options, in favour of, or claims of, any other person except the bank.

Contrary to common law.

LARRY STEVEN TRACHTENBERG

1 That you, together with Kevin Maxwell on divers days between May 1 1991 and December 1991, conspired to defraud the Swiss Bank Corporation of £55,783,466.76 by dishonestly being party to the sale of securities belonging to First Tokio Index Trust Ltd which you knew was contrary to representations and warranties given to the said bank.

Conspiracy to defraud contrary to common law.

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(iii) That the Robert Maxwell Group plc had good and marketable title to the shares, free of any and all security interests or options in favour of, or claims of, any other person except the bank.

Conspiracy to defraud contrary to common law.

IAN MAXWELL

1 That you, together with Kevin Maxwell and Larry Trachtenberg, did on divers days between November 10 and November 14, 1991, conspire together to defraud the Swiss Volks Bank (the bank) of $35.5m by dishonestly and falsely representing to officers at the bank:

(i) That Robert Maxwell Group plc was the legal and beneficial owner of 2.4m common shares in Berlitz International Incorporated (the shares).

(ii) That Robert Maxwell Group plc had the right to execute and deliver and to perform its obligations persuant to a pledge agreement between the bank and Robert Maxwell Trading plc.

(iii) That the Robert Maxwell Group plc had good and marketable title to the shares, free of any and all security interests or options in favour of, or claims of, any other person except the bank.

Conspiracy to defraud contrary to common law.

Britain in brief

Shorts cuts 400 jobs as demand falls

Shorts Brothers, the Belfast aircraft and missiles manufacturer, has announced 400 job losses, blaming the recession for falling demand and sales.

Shorts, acquired by Canadian transportation group, Bombardier, in October 1989, has given 90 days' notice of the lay-offs to the department of economic development.

The company has already ceased production of the FD360 commuter aircraft, and is running down production of the 323 Sherpa military aircraft for the US Army and National Guard. Shorts said there would be some enforced redundancies but efforts would be made to keep them to a minimum.

Agencies win Revenue work

Private employment agency staff will next month take over some of the most confidential and politically sensitive work in government administration, as the contracting out of central government services gets under way.

Personal secretaries, typists and other support staff at the Inland Revenue's new head office building in Nottingham will be supplied under contract by Blue Arrow Personnel Services. The work contracted out in both cases involves handling confidential correspondence and sensitive policy papers.

UK lending rises slowly

The second successive monthly rise in lending by banks and building societies has provided further signals about a modest upturn.

Lending by these groups to companies and individuals rose by a seasonally adjusted £3bn last month, after a £5.1bn increase in April, the Bank of England said yesterday.

The message about increased demand for credit was supported by the British Bankers' Association (BBA), which said its nine member banks increased lending by an adjusted £2.2bn in May, after £2.6bn in April.

England batsman Alec Stewart (above) steers a ball past a Pakistani fielder at Lord's on the first day of the England-Pakistan test. The England cricketer scored 74 before being caught out by Javed Miandad, the Pakistan captain. England were 255 all out.

Problems at N-waste site

Geological investigations by UK Nirex, the nuclear waste consortium, into its chosen site for Britain's first underground repository for radioactive waste suggest it may have great difficulty arguing it would be safe, according to a new report by independent consultants. Information from the first four test boreholes reveals that water in the rock which would surround the repository travels upwards into sandstone used as a source of drinking water, says the report by consultants Environmental Resources.

Bus companies to be sold off

Public sector bus companies in all Britain's largest towns and cities are to be privatised under plans being prepared by Department of Transport.

They include state-owned London Buses; the municipally-owned bus companies in the metropolitan areas of Greater Manchester, Merseyside, South Yorkshire and Strathclyde; and other municipal bus companies in cities including Nottingham, Cardiff, Southampton, Hull and Leicester.

Privatisation of the 35 companies will represent the biggest shake-up of Britain's bus industry since the privatisation of the National Bus Company's 56 component companies between 1986 and 1988.

'Debacle' risk on pensions

The Equal Opportunities Commission has warned the government it risked "a debacle" over its handling of the equalisation of state pension ages for men and women.

Large sections of the population would not know until too late that they could be worse off under pension measures being considered by the government, said the commission. Women, in particular, stood to lose out if their age of entitlement to state pension was raised from 60 to 65 – the current retirement age for men.

Rembrandt sells for £159,500

A print by Rembrandt, Christ Crucified between Two Thieves, has been sold for £159,500 at Christie's, at the bottom of its estimate. Executed in dryprint in 1653 the print is extremely rare: in 1660 Rembrandt dramatically altered the composition.

It was the top price in an auction of Old Master prints collected in the late 19th century by an aristocratic German family.

Lloyd's may fund extra relief for Names

By Richard Lapper

LLOYD'S of London is in discussions with agents and brokers at the insurance market to fund extra hardship relief for Names suffering in recent losses, Mr Alan Lord, chief executive of Lloyd's, announced yesterday.

A fully fledged bail-out scheme that would cap past losses has been rejected as "unviable", Mr Lord said.

Under the hardship arrangements, which are negotiated individually, Names – the individuals whose assets back underwriting at the market – are allowed to retain a home and modest income. In return, Lloyd's restructures their debts. "We do not reduce them to penury," Mr Lord said.

Mrs Mary Archer, who chairs the committee, said the council had reached agreement with 39 Names, while a total of 95 offers had been made. A total of 1,185 Names had applied to the committee. "Contrary to popular opinion, Lloyd's has never bankrupted, nor will it bankrupt Names who wish to meet their underwriting obligations," said Lloyd's.

Referring to the bail-out schemes, Mr Lord said the council had considered three types of plan over the past two months covering: losses for 1989 alone; net losses for the 1986-89 period; and a loan scheme to help Names facing liquidity difficulties. All were rejected on a variety of legal, practical and commercial grounds, Mr Lord said.

A plan to limit Names' losses from next year has been introduced, and its terms improved from those recommended in January.

Cumulative losses over a four-year period will now be capped at an amount equivalent to 80 per cent of their premium income limit – the amount the premiums they are allowed to accept – rather than the 100 per cent proposed.

Abandoning new Tube extension may cost £200m

By Andrew Taylor, Construction Correspondent

The cost of abandoning the £1.7bn planned extension of London's Jubilee underground line – under threat because of the failure of Canary Wharf office development – could be more than £200m according to the London Docklands Development Corporation.

Olympia & York the developers of Canary Wharf had promised to pay £400m over 25 years towards the cost of the line. The Canary Wharf project last month was put into administrative receivership putting the Jubilee Line extension in jeopardy.

The government has said it will not go ahead with the line unless a purchaser can be found for Canary Wharf which would be willing to take over Olympia & York's contribution to the extension.

The London Docklands Development Corporation (LDDC) in a briefing paper submitted to the Transport Department says taxpayers and shareholders of construction companies have already spent more than £100m in preparatory work on the extension.

London Transport it says has spent £100m on bringing preliminary designs to the point at which contractors can tender for work. Contractors it estimates separately have spent £20m on preparing bids.

LDDC estimates that the costs of aborting the extension could be a further £35m to £85m. It says that delaying the work would only increase costs as construction teams would have to be rebuilt and bid prices would be likely to rise.

Each one per cent increase in price would add about £15m to the cost of the project said the corporation. It wants the line to go ahead to give much needed fillip to redevelopment plans which have been affected badly by the collapse of the property market.

"Office and other space will fill up very much more slowly if the Jubilee Line extension is postponed or cancelled," it says.

Contractors have submitted bids for almost all of the 10 mile extension. London Transport have already identified an all-Italian consortium led by Italstrade as being likely to win the contract for the 2½ mile section between Canary Wharf and Canada Water on the south bank of the River Thames.

The LDDC refutes the view that government funds earmarked for the extension could be used for other transport projects.

It says: "Even if the Treasury agreed to such an approach, which is doubtful, London Underground and British rail would not be able to bring sufficient projects forward at such short notice."

A potential bidder for London Riverbus, the loss-making Thames service, emerged yesterday with plans to develop a commuter network into the capital using a fleet of 34 vessels, writes Tim Burt.

White Horse Ferries, a Swindon-based company, said it was discussing a takeover of Riverbus with the administrators of Olympia and York, the failed developer of Canary Wharf.

O&Y rescued Riverbus from collapse three years ago when it led a consortium of property developers which injected £2.5m to underwrite services between Chelsea and Greenwich. Since then Riverbus has been operated by managers seconded from P&O, the shipping company, which owns the service in partnership with O&Y.

Last will and testament of Robert Maxwell

I, IAN ROBERT MAXWELL of Headington Hill Hall, Oxford, England, publisher, hereby revoke all Wills and Testamentary Dispositions heretofore made by me and declare this to be my last Will.

I appoint my wife, Elisabeth Jeanne Maxwell; Ellis Freedman, attorney-at-law of the State of New York; my sons, Ian and Kevin Maxwell; my daughter, Christine Malina; and each of my other children who shall be actively engaged in the executive senior management (i.e. being a Director) of any of the group of companies owned or controlled by the Pergamon Holding Foundation (PHF), or any other companies in publishing, printing, communications or related fields that are associated with any of the said companies (collectively hereinafter referred to as the Pergamon Group (PG)) at the time of my death, to be the Executors of this my Will; provided, however, that upon Mr Freedman's attaining the age of 70 or ceasing to be actively engaged in the practice of law, whichever shall first occur, he may be removed by a written instrument signed by a majority of the other Executors then serving. The team "actively engaged" as used in the preceding sentence shall be construed to mean full time employment and hold the position of Director in at least one of the operating companies in the Pergamon Group. If at any time neither my said wife nor Mr Freedman are serving as Executors, a majority of the remaining Executors may appoint one or more persons to serve as successor Executors in their place.

If at any time there shall be less than four Executors serving, they or a majority of them shall have the right to appoint one or more successor Executors.

I direct my Executors to arrange for my burial in an orthodox Jewish cemetery in accordance with orthodox Jewish rites in Jerusalem.

I direct that the cash legacies to individuals hereinbelow provided shall be paid as soon after my death as may be practicable and free of all duties and taxes payable on my death.

I give to my dear wife, Elisabeth Jeanne Maxwell, all my personal chattels as defined in form two of the Statutory Will Forms 1925, not otherwise hereby or by and Codicil hereto specifically disposed of, and the sum of £500,000, if she shall survive me.

I give to each of my children who shall survive me the sum of £200,000. In the event that any of my children shall not survive me the legacy given to that child shall be paid in equal shares to his or her issue surviving me, per stirpes.

I give the sum of £150,000 to my sister, Sylvia Rosen. In the event that my sister, Sylvia Rosen, shall not survive me, the legacy of £150,000 given to her shall be paid in equal shares to her issue surviving me, per stirpes.

I give the sum of US$100,000 each to my niece, Helene Atkin, and my nephew, Michael Atkin, if they shall survive me.

I give to Jean Baddeley, in recognition of her many years of loyal service and hard work, the sum of £100,000 if she shall survive me.

If any beneficiary under my Will shall be bankrupt at the date of my death any amount that he or she would otherwise have received under my Will shall be held on protective trusts for such beneficiary under Section 33 of the Trustee Act 1925 instead of absolutely for such beneficiary.

If any beneficiary under my Will shall contest its validity or the validity of any of its provisions such beneficiary shall if the Will or such provisions are upheld be entitled to one thousand pounds only instead of the gift the beneficiary would otherwise have had.

All gifts to any beneficiary who is an individual are conditional upon a majority (including my wife if then living) of the Executors of this my Will stating in writing not later than two years after my death that in their opinion the beneficiary in question has not been guilty of conduct tending to bring my family or the Pergamon Group into disrepute or otherwise harmful to my family and failing such instrument such gift shall fall into my residuary estate.

I give to an orthodox synagogue or Beth Midrash in Israel to be selected by the Ashkenazi Chief Rabbi of Israel, as an endowment to ensure that prayers be said in perpetuity for my parents, my sisters and brother and myself on the anniversaries of our deaths, or any other date chosen by the said Chief Rabbi such amount as may be needed for that purpose.

In the case of a gift to a person under the age of 18 years the receipt of their parent or guardian shall be a good discharge.

I give, devise and bequeath all the rest, residue and remainder of my estate after payment of all liabilities of my estate and any duties or taxes payable on my death to the trustees of a new trust the be called "The Maxwell Family Charitable Trust" intended at the date of this my Will to be set up in the near future if the same shall be constituted at the date of my death (failing which I give devise and bequeath the same to my Executors) in each case upon trust to divide the same in four equal parts (funds A, B, C and D respectively) and to hold such funds and to apply the income of each of such Funds to the following uses and purposes:

1 Fund A to provide financial assistance to the people of Israel in the defence to the State of Israel.

2 Fund B in support of primary scientific and medical research in the following areas:

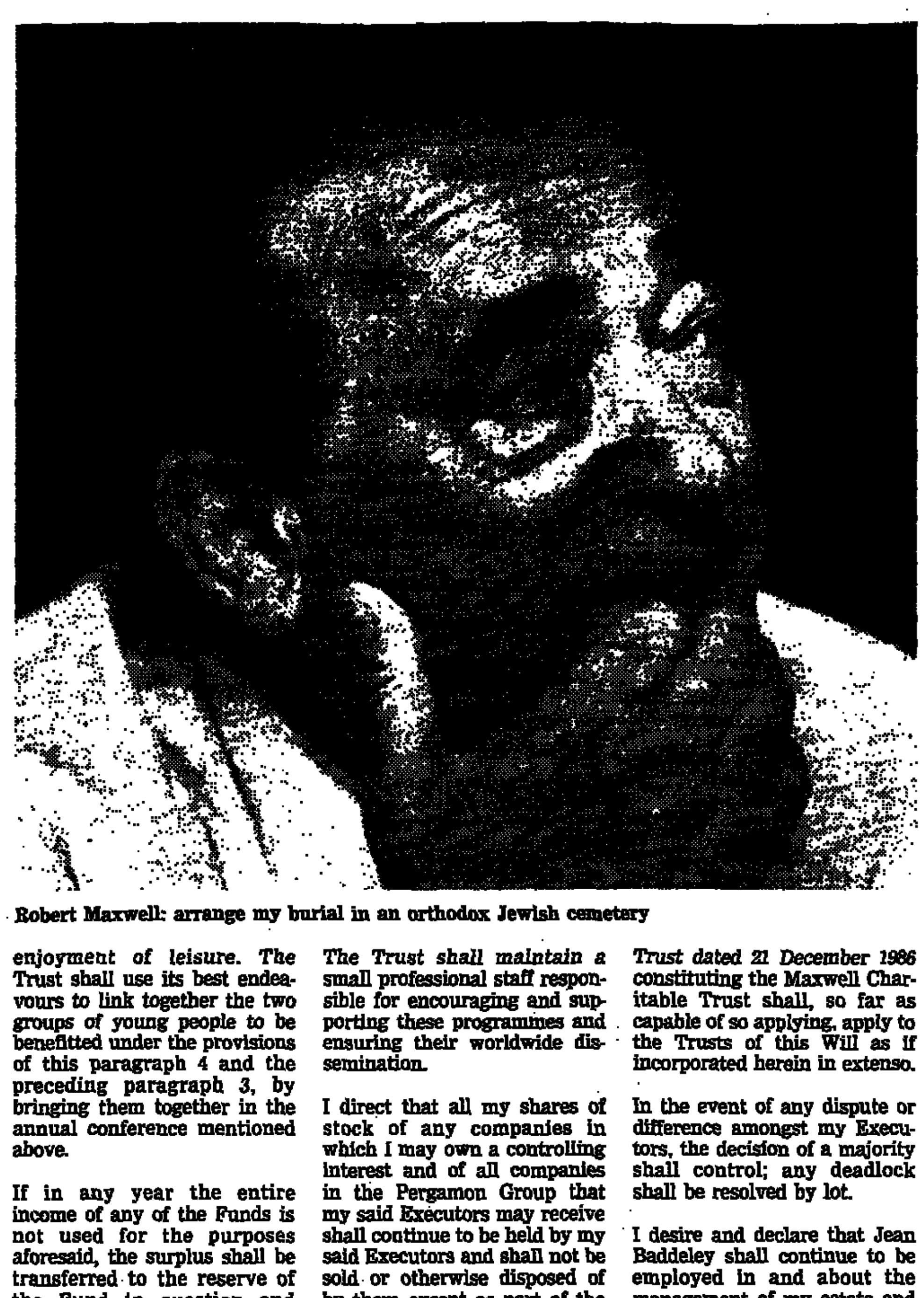
(a) Assisting in the eradication of cancer, especially to favour those researchers who are attempting to alter the behaviour of cancer cells to become benign or to convert themselves into the defenders, rather than the attackers, of the biological system;

(b) The eradication of heart disease;

(c) Research on the human brain, looking to a better understanding of the brain as a way of curing and controlling dementia and Alzheimer's disease and the restoration of brain functions to persons suffering severe head injuries.

3 Fund C to encourage and assist capable young people in the setting up of their own businesses in the fields of media, communications and information, on the understanding that they will contribute 10 per cent of the equity of their businesses to Fund C on receipt of the grant and will ultimately refund to Fund C the monies advanced if they are successful. The Trust shall be required to use the income received from such equity participation or the sale thereof for the further expansion of this programme. The Trust shall hold an annual prize-giving symposium at a place to be designated by the Trust and to be organised in connection with a world young entrepreneurs' forum which will be held under the auspices of 12 to 20 of the world's leading businessmen invited to serve by the Chairman of the Pergamon Group (or if there is no such Chairman, the Chairman of the principal operating company in the Group).

4 Fund D to fund the efforts of such individuals in the social and behavioural sciences, including politics, whose ideas in the opinion of a panel of distinguished advisers in those fields to be selected by the Chairman of the Pergamon Group (or if there is no such Chairman, the Chairman of the principal operating company in the Group), would contribute to the avoidance of war and conflicts between nations, the elimination of racial hatred, and making the primary, secondary and tertiary educational systems more practical in the preparation of children and students for a life of change that will better enable them to contribute both to the creation of wealth and the enjoyment of leisure. The Trust shall use its best endeavours to link together the two groups of young people to be benefitted under the provisions of this paragraph 4 and the preceding paragraph 3, by bringing them together in the annual conference mentioned above.



Robert Maxwell: arrange my burial in an orthodox Jewish cemetery

If in any year the entire income of any of the Funds is not used for the purposes aforesaid, the surplus shall be transferred to the reserve of the Fund in question and become part of its principal.

It is my hope that the Pergamon Holding Foundation, whose assets I have helped to build up to their present massive capacity, will commit themselves to support all of the foregoing purposes.

The Trust shall maintain a small professional staff responsible for encouraging and supporting these programmes and ensuring their worldwide dissemination.

I direct that all my shares of stock of any companies in which I may own a controlling interest and of all companies in the Pergamon Group that my said Executors may receive shall continue to be held by my said Executors and shall not be sold or otherwise disposed of by them except as part of the distribution of my estate; provided that the foregoing direction shall not preclude the sale or other disposal of individual companies, when compelling business or political considerations so dictate.

The provisions of Clauses 4, 8 and 10 of a Declaration of Trust dated 21 December 1986 constituting the Maxwell Charitable Trust shall, so far as capable of so applying, apply to the Trusts of this Will as if incorporated herein in extenso.

In the event of any dispute or difference amongst my Executors, the decision of a majority shall control; any deadlock shall be resolved by lot.

I desire and declare that Jean Baddeley shall continue to be employed in and about the management of my estate and that such engagement be upon the most generous terms of compensation that may be deemed appropriate.

No Executor may be liable for any loss or breach of trust not attributable to his own dishonesty and no Executor shall be bound to take any proceedings against a co-Executor or former Executor or his personal representatives for any breach or alleged breach of trust committed or suffered by any such co-Executor.

In witness whereof I have hereunto set my hand to this and the six (6) preceding pages this 12th day of July, nineteen hundred and eighty-seven.

Ian Robert Maxwell
Signed by the said Ian Robert Maxwell, the Testator, as and for his last Will in the presence of us, each being present at the same time, who at his request, in his presence and in the presence of each other have hereunto subscribed our names as witnesses.

A.M. Martin residing at 46 Rushdrive Road, Putney, London SW15.
L.A.Denton residing at 196 Upper Road, Kennington, Oxford OX1

Codicil

I, Robert Maxwell, residing at Headington Hill Hall, Oxford, England, do hereby make, publish and declare this codicil to my last will and testament:

FIRST: In addition to any and all other provisions that I have made for her, I give, devise and bequeath to my wife, Elisabeth Maxwell, all my right, title and interest in and to the three apartments located in France in which both she and I have an interest.

In witness whereof I have signed my name and affixed my seal at New York, N.Y., U.S.A. on this 30th day of December, 1990.

Robert Maxwell
signed, sealed, published and declared by Robert Maxwell, the testator above named, as and for a codicil to his last will and testament in our presence and we at his request in his presence and in the presence of each other have hereunto subscribed our names as witnesses on the day and year last above written.

Ellis Freedman Residing at 300 E59 St, New York
Joyce B Howath Residing at 126 Texas Ave, Bronxville, N.Y. 10708

Police helped by accountants

By Andrew Jack

THE ARRESTS of Mr Kevin Maxwell, Mr Ian Maxwell and Mr Larry Trachtenberg yesterday by the Serious Fraud Office follow several months of inquiries by a team of more than 50 police officers and other staff, given considerable support by accountants acting as administrators to the Maxwell companies.

The SFO staff is still working on further investigations which may lead to additional charges in the coming months.

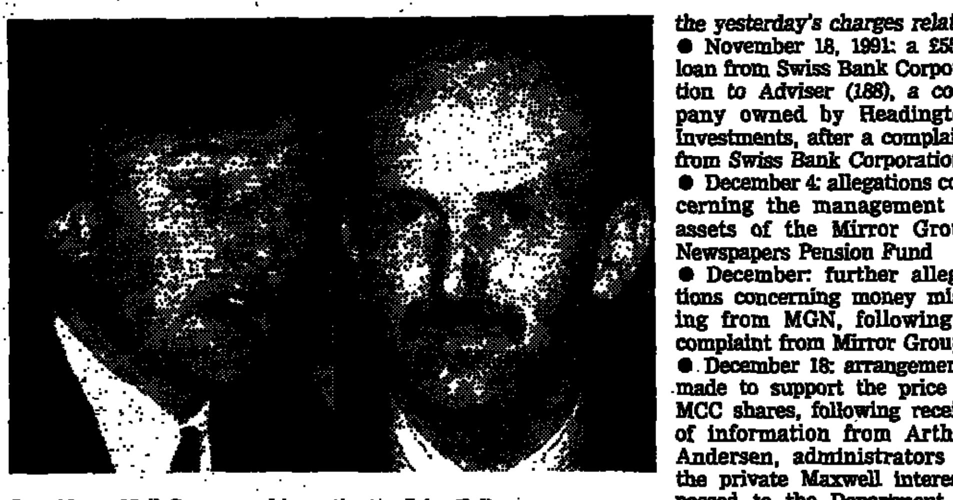
Mr John Tate is controller of the SFO Maxwell team, which includes several lawyers and up to 30 accountants seconded from the forensic division of KPMG Peat Marwick.

But besides its own inquiries, the SFO has also been able to draw on information from the substantial investigations work conducted by accountants who were administrators acting on behalf of creditors to the Maxwell public and private companies.

Mr John Talbot, a partner with Arthur Andersen, has coordinated the administration of the private Maxwell business empire of more than 400 companies.

The firm passed information on alleged MCC share support operations to the SFO.

Mr David Tell, head of the litigation and special investigation services unit at Price Waterhouse, administrators to Maxwell Communications Corporation, has been equally important.



Liquidator Neil Cooper and investigator John Talbot

Mr Neil Cooper, the partner at Robson Rhodes, liquidator to Bishopsgate Investment Management, manager and trustee of the pension funds, has also been investigating movements of money.

The accountants have had access to information not available to the police under special powers given to them by the 1986 insolvency act.

So-called "section 236" interviews allow them to ask questions of individuals, who have no right to silence. This information cannot be passed on to police.

Nevertheless, there have been regular meetings to share other information by the different accountants and the SFO. Private investigators have also been employed to help trace assets and identify movements of money.

The SFO has publicly announced five separate inquiries between November 1991 and January this year in conjunction with the City of London police, to which some of the yesterday's charges relate:

- November 18, 1991: a £55m loan from Swiss Bank Corporation to Adviser (188), a company owned by Headington Investments, after a complaint from Swiss Bank Corporation
- December 4: allegations concerning the management of assets of the Mirror Group Newspapers Pension Fund
- December: further allegations concerning money missing from MGN, following a complaint from Mirror Group
- December 18: arrangements made to support the price of MCC shares, following receipt of information from Arthur Andersen, administrators of the private Maxwell interests passed to the Department of Trade and Industry
- January 3 1992: assets including cash and investments removed from MCC, launched following investigations by Price Waterhouse, administrators to MCC

The charges against Mr Kevin and Mr Ian Maxwell and Mr Larry Trachtenberg appear to relate principally to the Swiss Bank Corporation loan and alleged thefts of pension fund money. There is no mention of share support allegations, by which directors buy shares in their own companies but do not disclose the purchases as required by UK company legislation.

Raids start with home arrests

POLICE began yesterday's events with carefully co-ordinated early mornings raids on three homes in expensive parts of London – Chelsea, Hampstead and Belgravia.

For Mr Kevin Maxwell, at his home in Chelsea, it was a highly public arrest. Journalists had been tipped off and were waiting outside his four-storey home when six detectives working with the Serious Fraud Office arrived in two cars.

It was the media presence which led to his wife Pandora to mistake the police for journalists.

Soon after 7am, Mr Kevin Maxwell and his brother Ian, who had been arrested at his home in Belgravia, arrived at Snow Hill police station in the City of London in separate cars. About an hour later, Mr Larry Trachtenberg, arrived at the same police station after his arrest at his Hampstead home.

In another raid during the morning, five plainclothes officers from the Serious Fraud Office went to the City office in Wardrobe Place where which Mr Kevin Maxwell had been working.

The officers entered the office at about 7.30am and left at 10.40am, taking with them several sacks filled with documents and computer equipment.

Two secretaries arrived at about 9.30am, and remained in the building during the raid, where they were joined by a solicitor an hour later.

Two lawyers representing the Maxwell family also arrived and stayed inside the building during the raid.

In Oxford, life appeared to be carrying on as normal inside Headington Hill Hall, for 32 years the Maxwell family home.

Mrs Betty Maxwell still lives in the 29-bedroom Victorian mansion but there was no sign of her. She has not been seen on the estate for a few days. A former employee, who has recently been acting as her chauffeur, is on holiday in the US.

Two of the 23 Pergamon Press journalists sacked by Robert Maxwell three years ago kept a vigil outside the automatic security gates. Pergamon Press, the company around which Mr Maxwell built his empire, is still based on the estate but is owned by the Dutch publishing group Elsevier.

Two of the sacked Pergamon Press workers, production editor, Mr Howard Waller, 27, and editorial assistant, Mr Chris Tighe, 25, sat in deckchairs at the back of a Ford Transit truck outside the only entrance to the 14 acre estate.

They watched as couriers brought manuscripts from Pergamon's authors. The Royal Mail will still not pass the National Union of Journalists' picket line to enter the estate and mail is collected each day from the sorting office by Pergamon staff.

In the early morning, police visited the country home of Mr and Mrs Kevin Maxwell, Hill Barn, a converted barn on an isolated hill at Hailey, near Wallingford in Oxfordshire. Items were taken from the house in a polythene bag.

A few minutes later three men, accompanied by another who appeared to be the key-holder, were let into a locked double garage across the gravel yard.

They searched one of the garage units but emerged after 15 minutes apparently empty handed. The team, who said they were from the City of London police, drove off shortly before 10am on their way back to London.

Lecturer rues his expensive mistake

By Robert Corzine

JUST HOURS before his arrest yesterday Larry Trachtenberg was musing on the events over the past decade which carried the 38-year-old American from a lecture hall at the London School of Economics to the dock at Bow Street magistrate's court, alongside Kevin and Ian Maxwell.

"It was an expensive mistake," he said, referring to the last in a series of career changes which saw the former lecturer in international relations at LSE rise to a sensitive financial position at the heart of Robert Maxwell's empire.

Just how expensive will depend on the outcome of the conspiracy to defraud and theft charges which he now faces. But it was already clear before his arrest that the scandal was taking its toll.

The enforced idleness at home while waiting for the police and SFO investigation to unfold grated on a man who had spent much of the past seven years involved in the heady atmosphere of City deal-making.

The speed with which some former close friends and business associates distanced themselves has also taken its toll. "It's as if you're carrying around the stench of a dead cat," he said.

Mr Trachtenberg's rise and fall is a classic story of the City in the 1980s.

In 1985, Mr Trachtenberg, a computer buff, founded Global Analysis Systems (GAS) with fellow American and Oxford academic, Mr Andrew Smith, and a British partner who eventually dropped out.

The original intention of providing high quality on-line analysis of international economic and political developments never really caught on.

But it was exactly the type of new media venture which caught the eye of Robert Maxwell, who bought the company in 1987

He was also intrigued by a bevy of new financial products, such as an early global tracker fund, which Mr Smith was keen to develop.

The spin-off of the financial products of GAS into London & Bishopsgate International (LBI), a fund management company and financial tool of the Maxwells, was not altogether welcome, at least from Mr Trachtenberg's present perspective.

"I was dragged into the City", he says. But his own transformation from an essentially administrative role to that of a financial operative was quick, though press reports suggesting he was a driving force in the Maxwells' labyrinthine financial dealings are discounted by formercolleagues and employees.

Larry Trachtenberg leaving Snowhill police station, London, for court yesterday. Press reports that he was a driving force behind the Maxwells' labyrinthine financial dealings have been denied by former colleagues and employees Photograph by Trevor Humphries

MPs say Bank to be more active

By Alison Smith

MPs campaigning on behalf of the Maxwell pensioners were encouraged yesterday that Mr Robin Leigh-Pemberton, the governor of the Bank of England, would take a more active role in assisting in the recovery of assets.

Three MPs from the all-party group – Mr Richard Page, Mr Frank Field and Mr David Shaw – met Mr Leigh-Pemberton to express their concerns about what has been seen at Westminster as a too passive role adopted by the Bank over the Maxwell affair.

They came away with the impression that the Bank had been acquiring information more actively behind the scenes.

They also had the impression that the Bank would be working closely with the special unit to help the pensioners. The unit has been set up in the department of social security and is led by Sir John Cuckney.

Mr Leigh-Pemberton seems to have succeeded in softening the severely critical stance which MPs have taken towards his approach, though there remains some discontent that the Bank's powers are limited in some respects and it cannot act as a City-wide regulator.

The MPs were also cheered that while he recognised the limits of the Bank's formal remit, he was conscious also of the powerful influence that it could exert.

They expressed confidence that once he was sure of the information on which he could act, he would be ready to do so, in order to contribute to ensuring that the government's moral pressure on some banks and financial institutions was effective.

He is to circulate to the MPs a note setting out the constraints of the Bank's position, and is ready to meet them in the autumn if that is still wanted.

The MPs had written asking him to talk to the group, but in the event he may instead give evidence to the all-party social security committee once that has been re-established.

Nowhere to run

A few days before his death Maxwell faced threats from US banks to sell assets and repay loans. He was also 'knocked sideways' by allegations that he was a Mossad agent. These were just some of the pressures that lead inescapably to the conclusion that he killed himself, **Bronwen Maddox reports**

THE 10-YEAR-OLD Canadair Challenger 600 aircraft signalled its call sign HB-VGA, and the control tower gave it permission to land in Israel.

A chilly wind was blowing off the Judean hills as the aircraft carrying Robert Maxwell's body touched down at the near-deserted Atarot airstrip north of Jerusalem at 9.50am on the morning of Friday November 8 1991.

Strands of barbed wire divided the runway from the nearby Palestinian camp. A young, dark-skinned soldier with a sniper rifle patrolled the balcony of the low, white terminal.

It had been essential to get the body to Jerusalem before the start of the Jewish Sabbath on Friday evening. The aircraft had been chartered for £40,500 the day before by Maxwell's son Ian. With eight of its 19 seats stripped out it was big enough to handle the coffin in a "decent and dignified way", unlike Maxwell's own Gulfstream jet.

Dani Kosovitski, the airport manager, telephoned by Maxwell's Tel Aviv lawyer Yaacov Ne'eman, had given security clearance for the aircraft to land quickly. The airport staff knew Maxwell well from his frequent visits.

Maxwell's French wife Betty, his eldest son Philip, and his youngest child Ghislaine stepped on to the tarmac. They were embraced warmly and emotionally by Ne'eman and by Aliza Eshed, the woman who had organised Maxwell's diary in Israel for three years.

The small group waited for the heavy coffin to be taken from the hold. It was carried to a van by 10 black-coated, black-hatted rabbis, arranged by the Hevra Kadisha, the burial society. The body was taken to Tel Aviv for a second autopsy. Two days later it would be carried back to Jerusalem for burial on the Mount of Olives.

The autopsy failed to prove conclusively how Maxwell died. However, the last two weeks of his life point to the conclusion that he took his own life.

On Sunday October 26, 10 days before his death, Robert Maxwell flew to London in his Gulfstream after a week at the New York Daily News, the loss-making newspaper which he had set his heart on resurrecting, as he had done with the Daily Mirror seven years earlier.

Unknown to Mirror Group Newspapers (MGN), as Maxwell flew to New York, he had taken out a loan of £50m from Bankers Trust in the London newspapers' name. On Monday October 21, he had redirected MGN's money to the struggling New York newspaper. Maxwell once told his London editors that he wanted to be remembered as the man who saved the Mirror. But the £50m loan stripped the Mirror of some of its hard-won financial health. Maxwell's ability to create and transform businesses had turned to destructiveness.

Saturday October 26, seven days before his death, was, according to Caroline Hinsley, Maxwell's assistant in New York, "the worst day of my life working for him". Maxwell had been drinking heavily – vintage champagne during the day and Chivas Regal in the evening.

"He was in the worst mood I have ever seen," she now says. Maxwell was enraged about allegations in a book that he was an agent for Mossad, the Israeli intelligence services. He spent the day in furious transatlantic calls with Richard Stott, the Daily Mirror editor, and Bob Cole, his spokesman in London. He instructed staff on how to "limit the damage".

Unable to reach one of his editors, he yanked the telephone line, shouting: "Idiots and dogs – I am surrounded."

Maxwell issued immediate writs against the book's publishers. His London aides say the allegations "knocked him sideways" – whereas he had shrugged off the regular sceptical attacks on the solvency of his empire.

The discussion of his alleged intelligence links in the House of Commons, safe from legal action by him under parliamentary privilege, seemed to him an echo of the judgment of the Department of Trade and Industry 20 years before that he was "unfit to run a public company". It reminded him of his exclusion from the British establishment and his impotence in front of it.

The last loan ever made to Maxwell's companies was signed by Lloyds Bank and Barclays Bank on Monday October 28, a week before Maxwell's death. An extension of a long-standing loan, the £80m advanced to Robert Maxwell Group, his main private company – syndicated between UK, French and Japanese banks – was backed by a charge against Maxwell House, the empire's headquarters at Holborn Circus in London.

, one of the last assets that remained unmortgaged. That loan had to support every salary, every claim on petty cash and every bank demand throughout the empire.

Maxwell did not seem to his crew like a man under pressure. He seemed instead to be a man who had decided to drift

The next morning, Tuesday October 29, a single sheet of paper arrived at Maxwell House from the US bank Shearson Lehman which meant that the Lloyds money would not be enough. Lehman declared that because of failure to repay its loans it was going to seize the collateral: shares in the language company Berlitz, a subsidiary of Maxwell Communication Corporation (MCC), Maxwell's largest public company. If the bank carried out its threat it would block the imminent sale of Berlitz, needed to pay down MCC's debt.

On Wednesday morning, October 30, two more fires broke out. Goldman Sachs, the blue chip US investment bank, delivered a formal warning that unless it was paid more than £10m owed for foreign currency by Friday it would sell the collateral it had been given: a block of shares in MCC. If Goldman Sachs – the biggest buyers of MCC shares in the company's history – turned sellers, the stock market would read it as an irreversible signal to sell, and to keep on selling. That could trigger the meltdown that Maxwell House had always feared: bank loans throughout the empire were backed by the value of MCC shares, and if the price fell, the empire would crash.

The same day Kevin Maxwell wrote to Swiss Bank Corporation to say that Maxwell House would repay their £55m loan early on Tuesday November 5 instead of giving it some collateral.

John Featley, Maxwell's chauffeur, who spent the week driving Maxwell and Kevin to bank offices, says: "It seemed his [Robert Maxwell's] attitude had changed. From walking past you as if you didn't exist, he actually stopped and talked to you."

At lunchtime that Wednesday Maxwell had lunch with MGN editors and executives from the Daily Mirror. He congratulated them on their handling of the arms trade rumours.

"By that time the rows had stopped," says Basil Brookes, MCC finance director, remembering Maxwell's detachment. "Maybe it was because we didn't speak any more by then – at least we didn't speak about business."

Brookes had braced himself for an explosion that afternoon: he was going to tell Maxwell that finally he was leaving. Instead he found Maxwell sentimental and unable to grasp the problem in front of him.

Brookes says: "I had this feeling everyone's going and I'm stuck and can't get out." Although he had told the Maxwells three months earlier that he wanted to quit, he had stayed because his lawyers told him he had a duty to resolve the MCC boardroom row over Maxwell's siphoning off money from MCC to his own private companies. But that Wednesday Brookes had seen Harry McQuillen – a senior MCC US director – resign and leave straight away. That Wednesday afternoon, Brookes finally felt entitled to go. He and Peter Laister, a non-executive director, had agreed with Kevin a formal list of procedures for deals between MCC and the private Maxwell companies. Brookes and Laister thought it marked a huge step forward. Brookes, deeply relieved, went to tell Robert Maxwell that he was going.

Brookes insisted that the press release announcing his resignation must go out by Monday November 4. He had warned Maxwell repeatedly that he would not put his name to another set of MCC's financial results – and MCC's half-year figures were due in two weeks.

He knew the figures would show a collapse in profits – and it would be clear that the second half would be even worse. The shares, undoubtedly, would slump. These problems no longer belonged to him but to the Maxwells and the other MCC directors.

Maxwell summoned Neil Taberner from the auditors Coopers & Lybrand Deloitte – 10 minutes away to the east, in the City. He telephoned Laister in his car. Laister was racing home, ready to leave in the middle of the night to catch the first ferry to France for a week's holiday – but he turned around and came back.

Taberner was told that Brookes was leaving and that MCC had no replacement.

Maxwell made several suggestions for replacements – journalists and managers from New York – but Brookes and Laister told him they were ridiculous: the City would just laugh; and mark the shares down. Laister said the company desperately needed a deputy chairman, and was taken aback when Maxwell offered him the job. Brookes says: "The old man took me aside at the end. He was suddenly very nice. He said: 'You know it's disastrous for me that you're going.'"

Just before 8pm that night, Maxwell saw Cole – who had worked for him for 31 years – and told him that the editors had praised him that morning for his handling of the Mossad row.

Cole says: "He put his arms on my shoulders and kissed me. He had only done that twice before. My father, who was also Jewish, used to hug me like that.

"But the problem with Maxwell was that he couldn't give a compliment without taking it away too. So he said: "The thing about you, Bob, in all the years you've been working for me is that you always thought your job was to aid the press. You didn't realise that working for me your job was to hinder the press.'"

They both laughed, but the criticism – although not the jibe at the press – left a sour taste in Cole's mouth.

Maxwell walked up the flight of stairs from his office to the penthouse to catch a few hours sleep. His four-seater Aerospatiale helicopter, with the insignia of the MGN lion growling on the side, took off from the roof early the next morning. It took him to Luton airport where his Gulfstream was waiting to take him to his yacht, the Lady Ghislaine in Gibraltar.

The next morning, Thursday October 31, Charlotte Thornton, Maxwell's secretary, told all callers: "R.M. will be away about a week. No faxes, no phones. He's tired and he's not been feeling so good."

Maxwell left behind a empire which was within weeks of collapse, and queues of executives waiting to present their petitions for money.

None of them were aware that they were part of a crisis which was beyond solution. If they could only get the meeting they were asking for, then they could get the money: it was just the usual problem of pinning him down, they thought.

Ernie Burrington, MGN managing director, and Lawrence Guest, its finance director, had decided that they would have a showdown with Maxwell that morning. They had worried for two months about £47m diverted from the MGN bank account to Maxwell's private companies – and were still unaware of the £50m dispatched to the New York Daily News.

Burrington now says: "I had talked to Lawrence's wife. They were prepared to live in a shack and give up everything. Lawrence was prepared to take on Maxwell and this time I was going to ask the other directors to do it as well." Burrington says Lawrence todl asked him: "When can we get in?" Burrington said: "We can't, he's done a runner." The two agreed they would "hit Maxwell when he came back from his trip".

When Laister phoned Maxwell that morning to ask for more time to think about the deputy chairmanship, Maxwell had already left. Laister – in retrospect with astonishing naivety – had taken the offer seriously: He now says: "We had no reason to feel that it was all about to go down. MCC had a year to deal with its debt payments. I didn't feel we were on a slippery slope and couldn't do anything about it."

In telephone calls the day before he died Maxwell showed no recognition of the financial crisis. He was unusually considerate

That day Bacon & Woodrow, the firm of actuaries, signed their annual, formal report on the value of the Maxwell companies' pension funds. They pointed out, however, that it was a provisional report. "We have not yet received an audited statement of the assets at the valuation date from the auditors Coopers & Lybrand Deloitte," they said. The next audit was not due until December 31 – so neither the actuaries nor auditors knew that more than £400m of the pension assets had been siphoned off.

That Thursday was the day of the Goldman Sachs ultimatum. Famous on Wall Street for its machismo, the firm had begun to carry out its threat to sell MCC shares.

Late that afternoon Citibank, the US bank, announced to the London Stock Exchange that it had "acquired an interest" in 5 per cent of MCC. Kevin told Cole to give no official comment, as press calls about the announcement were "after business hours". Only those in Maxwell House knew that another bank had begun to repossess the security for its loans.

Early that evening the Financial Times called Kevin Maxwell's office to say that it had completed a month-long investigation into the Maxwell empire and was about to publish a report that hidden debt in the private companies was much higher than the outside world realised.

By Friday November 1, Swiss Bank had been told by Kevin Maxwell's office that the £55m loan could not after all be repaid by Tuesday. The bank told Maxwell House this was unacceptable: if the money was not in the office by Tuesday they were going to their lawyers.

That Friday afternoon Kevin Maxwell called the FT and said: "I'm happy to talk, but the points you've raised will take some time to go through. Let's meet on Monday at 6pm."

On Saturday November 2 the Lady Ghislaine reached Madeira. During the passage from Gibraltar, Maxwell had told the ship's captain Gus Rankin, to contact the Gulfstream in Madeira and order it to go back to Luton to pick up Kevin and Ian for a meeting. He cancelled the order 10 minutes later.

Arriving in Funchal, the capital, Maxwell found himself besieged by journalists asking about the Mossad allegations and his businesses's financial stability. Furious, he cut short a tour of the city and asked Rankin to take him to the remote island of Desertas so he could swim. But he swam for only three minutes, announcing to the crew that the water was "too fucking cold" and told Rankin to take him back to Funchal.

That Saturday evening Brookes was at home at a bonfire party when the phone rang.

He says: "In the middle the phone rang – it was the old man from the boat. I'd had quite a lot to drink. He said he'd be back on Monday and we'll deal with the press release about your resignation then. He was unbelievably charming and nice. I was in the kitchen with my wife – the others were outside and couldn't hear – and I said to her: 'I guarantee you he won't be back on Monday.' I called Ron Woods [another MCC director] on Sunday and I told him the same thing – I guarantee you he won't be back."

After calling Brookes Maxwell asked Rankin to sign out $3,000 from the ship's funds so that he could go to the local casino. Rankin never saw the money again.

The next morning Maxwell asked the bemused Rankin to drop him off at an airport in the Atlantic between Madeira and Bermuda. Rankin told him there was nothing but open sea between the islands. Maxwell picked the Canaries instead and asked for the Gulfstream to meet him there.

Maxwell did not seem to his crew like a man under pressure. He seemed instead to be a man who had decided to drift. "It was as if he'd decided to just let everybody else get on with it," says Rankin.

In the middle of the greatest financial crisis of his life Maxwell directed his yacht on an aimless cruise.

On Sunday night, heading for the Canaries, he was called by his son Ian, who reminded him of his agreement to speak at the Anglo-Israeli dinner on Monday night. Maxwell told his son he was not feeling very well, and was not sure he would make it.

In the Canaries the next morning, the Lady Ghislaine sailed to a small bay called Polis de Abono. Maxwell asked to be taken for a ride in a speed boat, but was brought back because the sea was too rough, and asked to be taken to Santa Cruz on Tenerife.

That Monday morning, November 4, while the Lady Ghislaine was circling the islands back in London, 1,800 miles away, Maxwell House had received the final notice from Shearson Lehman that they were taking possession of Berlitz shares.

That Monday morning, November 4, while the Lady Ghislaine was circling the islands back in London, 1,800 miles away, Brookes' signed his formal resignation. He spoke to Maxwell three times to agree the wording of the press release. Brookes says: "We agreed it would go out Monday night or Tuesday morning. But somehow it didn't."

At 4pm on Monday November 4, Goldman Sachs's formal notification to MCC that it had sold part of its shareholding on Thursday arrived at Maxwell House. Cole asked Kevin's office for permission to release the statement but Cole says he was told: "No – tomorrow."

A copy of the log of phone calls from the boat shows that Maxwell spoke to Kevin several times. Cole says: "It would be nearly unbelievable for Kevin not to have told his father on the boat that the Goldmans' notice had come through."

At 5pm Kevin Maxwell's secretary called the FT to postpone the meeting at 6pm until the next morning.

That evening Maxwell – appearing to forget which country he was in – asked Rankin to lend him some Portuguese escudoes. He asked a taxi to take him to "the best restaurant in town".

They drove to the Hotel Mencey, a restored colonial palace with marble floors. The head waiter, Sergio Rodriguez, led Maxwell to table number one where he sat on a green velvet chair with a view of the tropical gardens.

Rodriguez recalls: "He came in dressed in a summer jacket and open shirt. It was only the next day I was to realise who he was from the photographs in the newspapers. But that night I mistook him for a cook from the Blue Star line I had met once."

Maxwell ordered three beers, two of which he drank quickly. He ordered spinach and asparagus mousse, cod in mushroom and parsely sauce and a pear. Rodriguez says: "He didn't strike me as particularly ill or agitated."

Only later did he seem distracted, leaving his jacket at the table as he left at 9.45pm. At the Cafeteria Olympus he had a coffee and brandy and was taken back to the boat.

During his meal the Gulfstream had arrived at Tenerife's southern airport. Maxwell took Rankin's suggestion that they should sail around the island to Los Cristianos, sparing him a drive along the winding coastal road. But Maxwell told Rankin not to take the direct route, and instead to cruise through the night to Gran Canaria and back. He said he would sleep better if the boat was at sea.

Maxwell told Rankin that he planned to fly to London the next day, Tuesday November 5, and that the crew would then be free to sail to New York as originally planned.

In telephone calls that day, Maxwell showed no recognition of the financial crisis. He was unusually considerate, apologising for disturbing Burrington during his lunch. Burrington says: "Blimey, I thought." He says Maxwell said: "I'm coming back tomorrow night, and I'll see you Thursday morning."

Maxwell drafted the speech for the Anglo-Israeli dinner over the phone with Sam Pisar, his Paris lawyer, and his son Ian. He gave out a "great belly laugh" at a joke about Yasser Arafat jumping out of a aircraft, mistaking a Jewish prayer shawl for a parachute.

That evening, around 11pm Spanish time, Rabbi Vogel, a representative of the orthodox Jewish Lubavitch sect, called Maxwell about his project to prise religious books from Russian archives. Maxwell said he would try to get some response from Gorbachev.

That was the last phone conversation Robert Maxwell held.

The next day, at 9.30am, Kevin Maxwell met the FT. He agreed with the FT's estimated figure of £3bn debt for the Maxwell empire, but said all was well with the private companies. He seemed relaxed.

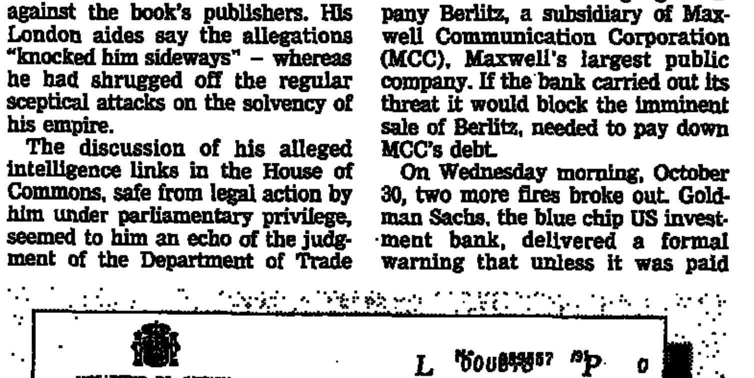
At 11am Cole released to the Stock Exchange the bald statement that Goldman Sachs had turned seller of MCC shares. The shares began to slide. Ten per cent of MCC's value was wiped off by by 2.58pm when all dealings in MCC and MGN shares were frozen. Ten minutes later a second announcement told the world that Robert Maxwell was missing at sea, feared lost.

Did Robert Maxwell kill himself? By the day he died his empire had run out of every drop of money and would have collapsed within weeks, exposing the raided pension funds.

To Maxwell that would, surely, have been more than just shame or humiliation. He identified completely with his creations, the power they gave him, the Gulfstream, the yacht. The helicopter, with the huge shaggy lion's head on the side, disturbing the peace as it clattered on to the roof of Maxwell House – that was Robert Maxwell. His empire's collapse would have been equivalent to his annihilation.

Would Robert Maxwell, who had pursued publicity for every smallest event, choose to die alone, without telling anyone or leaving any sign? He gave no sign to Kevin, judging by Kevin's composure that morning. But part of the obsessive emotions that drove him him was enormous anger. He had a violent past: his family had been killed in the Second World War, and his part of Czechoslovakia annexed by the Soviet Union. In the last three years of his life he turned his destructiveness against his businesses – which he neglected, abused, and in the end destroyed.

The signs suggest that in the end Robert Maxwell destroyed himself. On the deck of his boat, circling islands in the Atlantic in the hours before it became light, he was alone with those emotions and had nowhere to run.


MINISTERIO DE JUSTICIA
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Primer apellido MAXWELL
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Comprobación:
Observaciones:
ENCARGADO
SECRETARIO

Maxwell's death certificate issued by the Spanish Ministry of Justice

The FT's team of journalists has interviewed more than 150 people in 13 countries. The team led by Bronwen Maddox included: **In London:** Jimmy Burns, Raymond Snoddy, Robert Peston, Andrew Jack, Norma Cohen, Richard Gourlay, Daniel Green **In Jerusalem:** Hugh Carnegy **In Liechtenstein:** Ian Rodger **In Moscow:** Leyla Boulton **In New York:** Alan Friedman

THE BIG LIE: INSIDE MAXWELL'S EMPIRE

Questions raised by Maxwell's last hours

Jimmy Burns retraces Maxwell's final hours

IN THE larger-than-life story of Robert Maxwell, the *manner* of his death remains the greatest mystery.

Did he fall overboard accidentally or did he commit suicide? Could he conceivably have been murdered?

The lack of witnesses between the time of his last phone call to the crew on board his yacht, the Lady Ghislaine, and the discovery that he was missing has proved a major *problem for* investigators trying to get at the truth.

Another obstacle has been the inconclusive nature *of forensic* evidence. Two autopsies were conducted on Maxwell's remains. One suggests death by *accident* or natural causes. The other leaves open the possibility of suicide or murder.

The evidence of the last 12 hours of Maxwell's life as he cruised, apparently without purpose, around the Canaries, is often confused and *contradictory. The official* investigations by the Spanish authorities was less than rigorous.

At stake is a £20m insurance claim. For Maxwell's family and his companies to receive that money they have to prove that he died as a result of an accident or he had been murdered.

The Financial Times has retraced *Maxwell's* last hours. We *have* interviewed key witnesses, including the Lady Ghislaine's crew. We have had access to hitherto unpublished documentation including the Spanish police investigation. We have conducted a *careful examination of* the yacht. The two autopsy reports conducted in Spain and Israel have been made available to the FT. What happened?

Why did Maxwell leave for the Canaries alone on October 31?

Maxwell flew to Gibraltar that morning as his empire was collapsing to meet the Lady Ghislaine. He went without his butler and and his personal secretary. He had never done this before. He did not even take a tin of caviar which always accompanied him on his cruises. Before leaving London he made the *unusual step of thanking Bob Cole,* his press officer and confident 31 years, for his services. He had been told by *the* Lady Ghislaine's captain, Gus Rankin that the boat was not ready for the kind of cruise Maxwell was accustomed to. Two of its crew members – a housekeeper and a steward – were on leave, the storm covers were up, and there were no provisions on board.

Maxwell told Rankin not to worry. He would bring the provisions with *him* or else *"rough it"*. One of Rankin's predecessors had been dismissed by Maxwell for leav*ing the wrong* coloured pens on his desk.

Maxwell left his London staff in the dark as to where he was going and why. He told Rankin he planned to take a few days off to recover from a cold. He wanted to be dropped off in Madeira where his private plane would be waiting to take him to New York or London. He arrived in Gibraltar carrying some files and a limited supply of provisions.

Rankin, in his first interview, said he was sceptical about Maxwell's motives. It did not strike him that *his employer had a particularly* bad cold. "He seemed healthy. He ate well throughout the crossing." He did no work on this trip, which was almost unheard of.

What was Maxwell's state of mind on the crossing?

Untroubled, according to those who talked to him during the crossing. They included his sons Ian, the *editor of the Daily* Mirror Richard Stott, and Rabbi Feivish Vogel. Rankin, and other crew members, say that *Maxwell did not seem* like *a* man under pressure. rather like someone who had taken a huge weight of his shoulders and had decided to drift.

The Lady Ghislaine had the technical capacity to control his empire with a push of a button. *He* almost invariably made use of it. In addition to a fully equipped office- it included *computers, copiers,* shredder, crytophone and fax machines- a satelite phone by his bedside identified his priorities.

The organisations buildings featured on the short-code dial of his telephone included Headington Hall, Maxwell House, the Daily Mirror's newsdesk, the New York Daily News, Macmillan, Rothschilds in New his family, including Kevin and Ian Maxwell, and close aides.

"It was as if he'd decided to just let everybody else get on with it," Rankin said "I now feel we were being drawn into a game in which we had no control."

Maxwell rang his son to cancel a speech he was meant to have made to an Anglo-Israeli dinner in London.

On November 2 he called his two sons Ian and Kevin to a meeting in Madeira, then rescinded the order 10 minutes later. He then changed *his earlier plan to fly out from* Madeira and chose to cruise towards the Canaries instead.

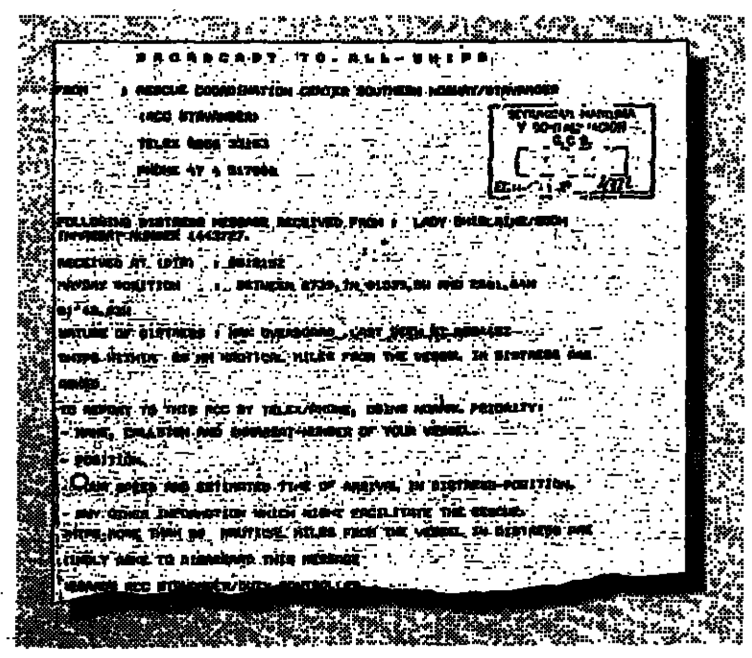
Rankin told Maxwell's widow, Betty, on her arrival in the Canaries, that he thought her husband *had killed himself.*

One female crew member recalls that at one point she entered Max*well's office and found the floor* covered indocuments. She asked him if he wanted them tidied up. He just kicked them under the table – as if he was no longer interested in them.

Maxwell may not have no longer been interested in his documents. But his family was. Two days after his death, according to Maxwell's *chief pilot Brian Hull, his daughter,* Ghislaine and Betty Maxwell, asked him to pick up some cases from the boat

Hull says he was handed handed him six hard backed leather cases (4ft high, six ins wide, 2ft long). Betty maxwell. according to *Hull,* told him that the documents had to be in London by noon.

Hull flew out at 7.15 next morning reaching the Mirror building in London just before twelve.


BROADCAST TO ALL SHIPS

Why would anyone want to kill him?

Maxwell made many enemies in his business career. In the last month of his life he was accused of arms dealing and having close links with Mossad, the Israeli *Secret* Service. His son Philip told Spanish officials on hearing of his father's *disappearance that* he thought Maxwell had been kidnapped but subsequently changed his mind. One Israeli minister still thinks, on the basis of the second autopsy, that Maxwell may have been murdered.

Could anyone have boarded the ship that night?

All boats in the area on the night of his death have now been accounted for by the Spanish authorities. Throughout the night of Maxwell's disappearance the *Lady Ghislaine had its radar and* other equipment on. It picked of picked up no suspicious vessels. Rankin says: "I was on the bridge most of the night. We were doing 14 knots. It was impossible."

Where were the crew?

At the time Maxwell died, Captain Rankin and two other crew members were in on the bridge. An engineer was in the engine room. The bridge is sound-proof and the deck is out of ear-shot of the engine room. All other members of the crew were sleeping and heard nothing that drew their attention to Mr Maxwell's movements that night.

Why did the Lady Ghislaine take such a circuitous route on Maxwell's final overnight voyage?

Rankin was first told by Maxwell that he wanted to be taken to Los Cristianos, the southern port of Tenerife, where he would fly out on his private jet. Maxwell changed his mind. Rankin came under orders from *his* employer to *"cruise all* night" because it would help him sleep. The log of the Lady Ghislaine *shows that after leaving* Santa Cruz it set a course for the coast of Gran Canaria.

Rankin discovered that Maxwell was missing around 11.00am – an hour and a half after the boat had docked at Los Cristianos. He did not alert the international Rescue Coordination centre, in Stavanger, Norway, until 12.15pm. The Spanish authorities *did not learn of* Maxwell's disappearance until 12.25pm. Why did Rankin take such a long time to contact the Spanish authorities?

"We had to carry out extensive searches of the boat and the immediate area around the port." He also claims that the Spanish authorities failed to record that he sent a crew member ashore at Los Cristianos soon after the ship-board search had been completed to alert the local maritime police. "I can't remember exactly when that was – around 11.45."

At one point they spotted a swimmer they thought might have been Maxwell. Rankin also says he had difficulty in making radio contact with the local authorities.

Why were the inner, sliding doors to Maxwell's state room locked after he went missing?

On the evening of November 4, Maxwell ordered a stewardess to lock the main sliding doors to his quarters from within, leave the key with him and make her exit *through the* outer *bathroom* door, leaving it unlocked behind her.

On the morning Maxwell died, the *main* sliding doors were found locked from without, the bathroom door was locked from within, and the heavy steel framed doors leading to the deck were closed. Maxwell's key was missing. Rankin had to use a master key to get in.

Maxwell could not have left through the bathroom which had access to the outer deck. It could not be opened from the outside. While it was not unusual for Maxwell to go out on deck in the middle *of the night, to take fresh air or* relieve himself, the crew cannot remember an occasion when he closed let alone locked the doors behind him.

The locking of the doors was a preconceived act and yet it has emerged that the Spanish police chose not to consider in their inquiry.

Could he have fallen overboard?

Conditions were *good* and the sea was calm on the night of November 4/5. The Lady Ghislaine made no sudden *movements throughout the* night, according to Rankin, cruising at a constant speed of between 14 and 15 knots. The Spanish police concluded that he lent against a wire on the main deck. The wire is 3ft 6ins, reaching Maxwell's waist. They suggest this had a "trampolin" effect throwing him into the sea. No evidence was found of the wire being disturbed or even dislodged from its hinges as it might well have been by a man of Maxwell's weight and size. Maxwell was 6ft 2in tall and weighed 22 stone.

It would possible for him to fall over the guard rail on the main deck, *which is three inches lower* than the wire, although he would have had to lean well over it to lose his balance.

Had he been drinking excessively or taking sleeping pills?

No evidence was *found* of signifi*cant quantities of alcohol or drugs* in his body. His widow said his sleeping pills had remained untouched.

Why were there two autopsies?

The insurers were dissatisfied with the *autopsy* carried out in in Spain.

Did the second autopsy find anything new?

Yes. The post mortem carried out in Israel by Dr Iain West, head of forensic medicine at *Guy's hospital,* and two Israeli pathologists with the family's approval, found serious muscle tear and injuries to the left hand and left shoulder. The pathologists believe this suggests that Maxwell hung on to something before falling into the water. These crucial findings were not discovered by the earlier Spanish autopsy.

Maxwell could have sustained such an injury by holding on to prevent himself from falling by accident or by trying to hoist himself back again.

But West *suggests* that Maxwell *could have also sustained* such an injury as he deliberately took his own life.

West believes *such an injury* incurred by climbing over the rail and slipping while still holding the rail. "One sees this pattern of injury on occasions in individuals who kill themselves as a result of falling from high buildings. While some will jump or let themselves topple over a baclony or out of a window others will actually will ease themselves *over the edge and hold* on for a time with one or both hands before letting go."

Could he have died of a heart attack?

Maxwell had been suffering for years from fluid and respiratory problems. He was overweight and had been under some pressure. However, one of his leading doctors maintains that he was "healthy" before leaving on his final cruise and no traces of heavy smoking.

Tests carried out by Spanish pathologists showed some evidence of ischemic myocardial damage- in *layman's terms,* his heart muscles were damaged due to lack of blood.

So how did Maxwell die? On the evidence available both murder – for which there is no physical evidence – and a heart attack as a single cause of death can probably be ruled out.

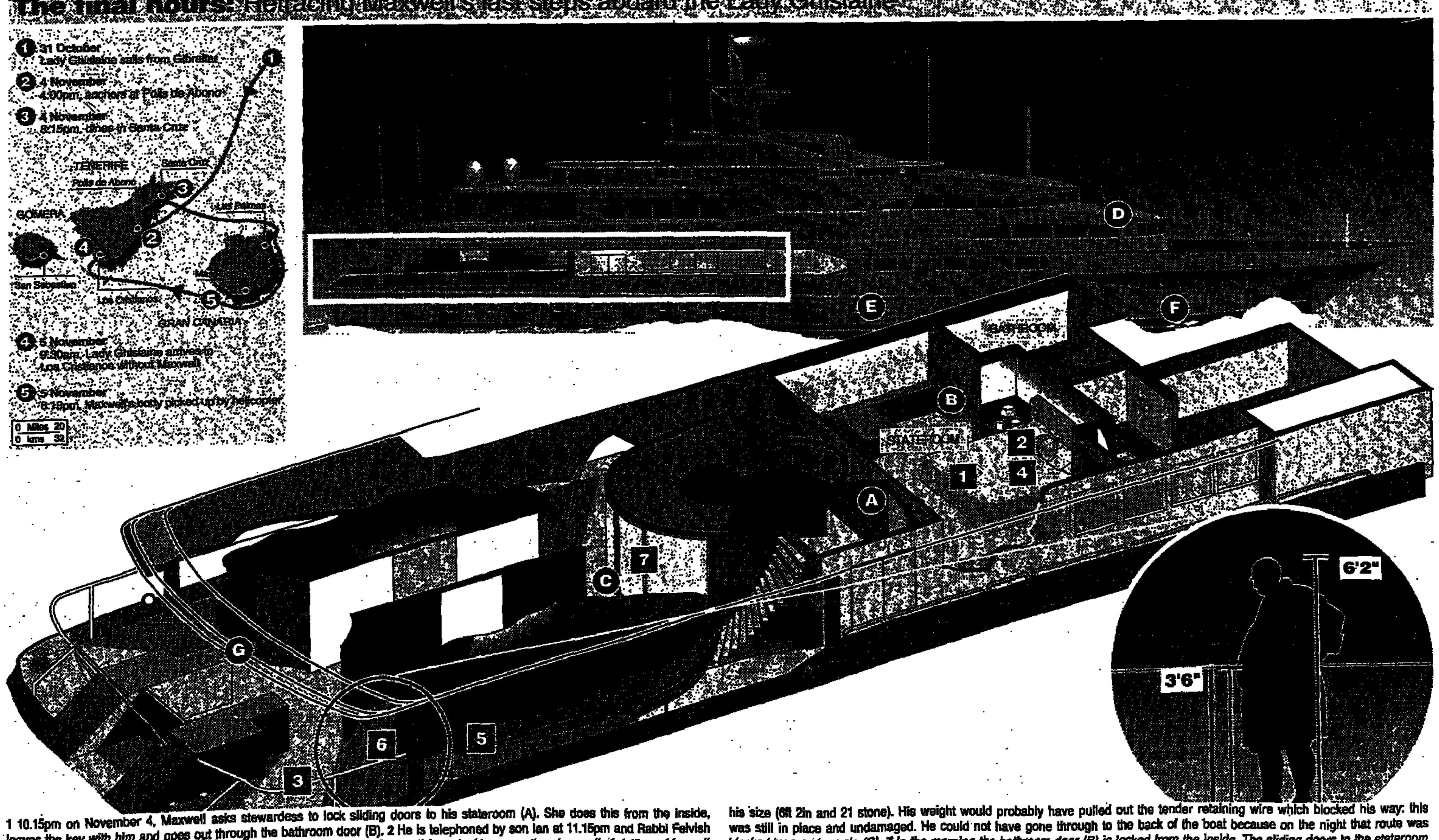
This leaves one of two possibilities. Maxwell either fell into the water by accident or he committed suicide. Neither can be ruled out on the basis of the forensic evidence.

The verdict then rests on Maxwell's behaviour, his state of mind and the looming catastrophe he would have to face if he returned, suggest that he killed himself.

Robert Maxwell aboard the Lady Ghislaine. The last time he was seen alive was on the yacht

R. Maiman/Sygma

The final hours: Retracing Maxwell's last steps aboard the Lady Ghislaine



1 10.15pm on November 4, Maxwell asks stewardess to lock sliding doors to his stateroom (A). She does this from the inside, leaves the key *with him and goes* out through the bathroom door (B). 2 He is telephoned by son Ian at 11.15pm and Rabbi Feivish Vogel at 11.20pm. 3 4.10am on November 5, a crew member sees Maxwell here looking over the stern rail. 4 4.45am, Maxwell telephones from his stateroom and asks for air conditioning to be turned off. 5 6.00am, approximate time of death given by *Spanish pathologists' report.* Police believe this is the point from which he went into the sea. 6 This is where he probably went over the side instead. The position given by the police (between pillar and tender) would have been a tight squeeze for a man of his size (6ft 2in and 21 stone). His weight would probably have pulled out the tender retaining wire which blocked his way: this was still in place and undamaged. He could not have gone through to the back of the boat because on the night that route was blocked by a motorcycle (G). 7 In the morning the bathroom door (B) is *locked from the inside. The sliding doors to the stateroom* (A) are locked from the outside and the glass doors to the stern (C) are closed. Maxwell was not in the habit of locking the doors and the key has not been found. Where was the crew? Captain Rankin and two members were in the soundproof wheelhouse (D). One member was in the engine room (E). *The seven remaining members were in the crew's quarters (F).*

THE PROPERTY MARKET

New lease of life in landlord-tenant fight

By Vanessa Houlder

The relationship between landlords and tenants in the UK is being strained to breaking point. At a time of recession, the workings of the institutional lease – 25-year leases with upwards-only rent reviews – is seen as unfair, archaic and inflationary by tenants throughout England and Wales.

Now the gauntlet has been thrown down by tenants. Businesses have been encouraged by the glut of empty commercial space and their own recession-induced financial pressures to challenge the system openly. The landlords are defending a leasehold structure that provides secure flow of income, thus underpinning the value of property and so the finances of institutions, property companies and banks which lend to the sector.

Critics argue that the existing system damages the economy by allowing landlords to profit at the expense of tenants, many of whom are already struggling under the burden of recession. "Landlords continue to make money in a recession and in doing so they serve to deepen the recession," says Mr Giles Henschel of the Covent Garden Business Group, which represents local businesses.

Some economists believe that the institutional lease distorts the letting market in the way that unions are seen to distort the labour market. Lettings on new leases, which account for just 4 per cent of the market, are the only part of the system that function smoothly.

According to Professor John Burton of the European Business School, rents are dictated by legal and institutional factors, making them "impervious to market forces". This "constitutes a 'core' inflation problem for the British economy as a whole," he says.

But the debate about leases goes beyond academic concern. For the structure of leases is having a critical impact on many businesses.

Last month, Tandy, a multiple retailer, closed down a profitable store in Chatham, Kent, because it could not reach agreement on the lease. "We are making a stand," says Mr Barry Liddle, chief executive of Tandy. "If we have to lose 30 or 40 stores I am willing to do that. If not, nothing will change."

Tenants are demanding the following changes:

● An end to 25-year leases. Criticism of such long leases was recently voiced by Mr Andrew Buxton, chief executive of Barclays, which rents a large amount of property across the UK. "Twenty-five years leases are required for financing purposes or perhaps to satisfy the institutional desire for long investments, but how many businesses plan 25 years ahead?" he asked.

"At the moment it is a classic case of industry satisfaction and institutional desire being put before the customer. Very few other industries can take such a complacent attitude," he adds.

● An end to upwards-only clauses in rent reviews. Tenants argue that the upwards-only ratchet is inflationary and unfair to tenants at a time when rents should be falling. Boots, the chemist, recently won a court battle over its refusal to accept an upwards-only review on a retail property in London centre.

● An end of privity of contract, which allows landlords to claim unpaid rent from previous tenants. The controversy about tenants' continuing liability has come to a head over the past year as unexpected bills for rent due on former premises have pushed many struggling companies into receivership.

The case for reform has been promoted by Sir John Banham, director-general of the Confederation of British Industry. "Small businesses are being forced into bankruptcy through no fault of their own," he says.

● A change in the way rent reviews are determined. Critics say that reviews are often unreasonable because they ignore vacant property, the state of the economy and the ability of tenants to pay.

Professor Burton believes that rent review disputes should be resolved by the Lands Tribunal, with members drawn from both sides of the commercial property leasing market.

Mr Henschel of Covent Garden Business Group dislikes this system because decisions are made at arbitration by surveyors, who may have a tendency to favour landlords. "No surveyor will put his neck on the line because future business depends on his ruling. I would like to see a parliamentary review of the whole system," he says.

● An end to confidentiality clauses. If rents are to be set according to recent deals in a particular area, there should be greater openness about those deals, perhaps through a national rent register. "Confidentiality clauses inflate market levels," says Mr Henschel.

Some aspects of the commercial property lease are likely to yield under this pressure. The Lord Chancellor, for example, is expected to recommend a change in the law on privity of contract. Tenants would no longer be responsible for the rent owed by their successors for the duration of the 25-year lease; instead they would guarantee only their immediate successor. The proposals would probably only apply to leases that were assigned after the legislation came into force.

"This is in the spirit of a good British compromise," says solicitor Mr Steven Fogel of Titmuss Sainer & Webb, who was on the Law Commission's working party which recommended a change in the law. Bankers are concerned, however, that a change would make property finance, which relies heavily on the quality of a tenant's covenant, even more difficult to secure.

Market pressures alone are forcing some landlords to accept shorter leases and break clauses in heavily over-supplied markets such as the City of London. Some institutions make a virtue out of necessity when accepting a 15-year lease on the grounds that a building often needs refurbishment by that stage anyway.

But most property owners are uneasy about changes to the lease structure. They fear that yields would be pushed up to compensate for the diminished security of income, with severe effects on the property industry and banks.

The Prudential, one of the largest UK landlords, will fight any changes to the 25-year lease, says its chief executive Mr Hugh Jenkins. "Only as a last resort would we give up long-held terms of trade. In this market we would rather let the rents take the strain than start monkeying around with lease structures," he said.

Landlords argue that tenants should take the rough with the smooth, having enjoyed the benefits of a system that gave them artificially low rents during much of the 1980s and the rights to assign their leases at large premiums. They believe that tenants will stop clamouring for change once an economic recovery gets under way.

"During the 1980s a lot of tenants made a fortune from selling their leases," says Mr Peter Hunt, chairman of Land Securities, the UK's biggest property company.

The abolition of privity of contract and upwards-only review clauses would be a setback to the industry and ultimately the economy as a whole, adds Mr Hunt. If such changes took place, pension funds would be less likely to invest in property with the result that yields would rise, new developments would be constrained and ultimately rents would go up.

The counter-argument is that the rigid institutional lease has inflicted damage on tenants and the economy and, in the end, on the property market itself.

Tenants have been put under extra pressure to the point where they have been put out of business. Long leases have made landlords complacent and neglectful of their customers. Lease inflexibility at a time of falling rents has prevented tenants from assigning their old leases and so created a huge oversupply of new buildings in areas such as central London.

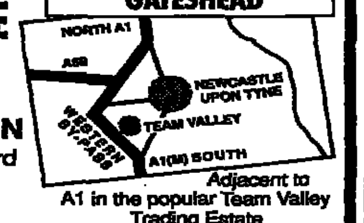
Apart from the changes concerning privity of contracts, these arguments are ultimately likely to be settled by the relative strengths of landlords and tenants. The optimists say that the concessions wrested by tenants will only last for as long as property is in oversupply. Tenants, however, are determined to cling onto any gains they make. They are not merely seeking short-term advantage; they wish to change the industry for good.

Tandy closed a store because it could not agree on the lease

TOTAL RETURN (%)

	Retail	Office	Industrial	All Properties
Year to April 92	6.3	-6.4	8.4	1.8
Quarter to April 92	1.6	-1.8	0.6	0.1
Month of April 92	0.5	-0.3	0.3	0.2

Investment Property Databank



CONTRACTS & TENDERS

INVITATION FOR BIDS (IFB)

Date of Issuance : 15.6.1992
Loan No. : 3345 - TU
Order No. : ISB / RH - 2

1. The TURKISH ELECTRICITY AUTHORITY (TEK) has received a loan from the TEK Restructuring Project Fund of the World Bank (Loan No.: 3345 - TU) in various currencies towards the cost of Thermal Power Plants Rehabilitation Project and it is intended that part of the proceeds of this loan will be applied to eligible payments under the Contract(s) for which this invitation for Bids is issued.

2. The TURKISH ELECTRICITY AUTHORITY (TEK) now invites sealed Bids from eligible Bidders for the conversion of Tunçbilek Power Plant units 4 and 5 from indirect firing system to a direct system.

3. Interested eligible Bidders may obtain further information from and inspect the Bidding Documents at the Office of:

TURKISH ELECTRICITY AUTHORITY
General Management
Isletme ve Bakim Dairesi
Baskanligi
Santraller Isletme ve Bakim
Müdürlügü
Inonu Bulvari No.: 27 Kat:14
Bahcelievler - Son Durak
Ankara - TURKEY

Phone: (90) (4) 2229888
Telex: 42245 tek tr
Fax: 90-4-2138870

4. - A complete set of Bidding Documents may be purchased by any interested eligible Bidder on the submission of a written application to the:

TURKISH ELECTRICITY AUTHORITY
General Management
Ticari Isler Dairesi
Baskanligi
Inonu Bulvari No.: 27 Kat:1
Bahcelievler - Son Durak
Ankara - TURKEY

and upon payment of a non-refundable fee of $250 US Dollars or 1,700,000 TL at the following address:

TURKISH ELECTRICITY AUTHORITY
General Management
Muhasebe Dairesi Baskanligi
Inonu Bulvari No.: 27 Kat: 4
Bahcelievler - Son Durak
Ankara - TURKEY

Those Bids submitted by the Bidders who did not purchase the Bidding Document shall be rejected.

5. All Bids must be accompanied by a Bid Security of not less than 3% (three percent) of the Bid price and must be delivered to the following address:

TURKISH ELECTRICITY AUTHORITY
General Management
Ticari Isler Dairesi
Baskanligi
Inonu Bulvari No.: 27 Kat:1
Bahcelievler - Son Durak
Ankara - TURKEY

On or before 12.00 hours on 18.8.1992 and Bids will be opened immediately thereafter.

6. Bids will be opened in the presence of Bidders' representatives who choose to attend at the following address:

TURKISH ELECTRICITY AUTHORITY
General Management
Ihale ve Satin Alma
Komisyonu Baskanligi
Inönü Bulvari No.: 27 Kat: 27
Bahcelievler - Son Durak
Ankara - TURKEY

LEGAL NOTICE

In the High Court of Justice No. 004682 of 1992
Chancery Division

IN THE MATTER OF BEAR STEARNS HOLDINGS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 10th June 1992 for the confirmation of the reduction of the capital of the above-named Company from £105,000,100 to £44,100,042 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 10th June 1992.

Dated this 17th day of June 1992
Slaughter and May,
35 Basinghall Street,
London EC2V 5DB
Solicitors for the said Company

In the High Court of Justice CH No. 5525 of 1992
Chancery Division

IN THE MATTER OF THE PROPERTY TRUST PLC AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 1 June 1992 presented to Her Majesty's High Court of Justice for the confirmation of: (i) the reduction of capital of the above named Company from £18,285,216 to £5,000,000; and (ii) the reduction of the Share Premium Account of the Company from £5,338,000 to £660,595.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Millett at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday the 29th day of June 1992. Any creditor or shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said reduction of capital should appear at the time of the hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned solicitors on payment of the regulated charge of the same.

Dated the 18th day of June 1992
LAWRENCE GRAHAM,
190 Strand, London WC2R 1JN
Solicitors for the above named Company.

NOTICE FOR ADMINISTRATION ORDER
The Insolvency Act 1986
In the Matter of
COASTAL LEISURE LIMITED
Nature of Business: Public house and night club operator. Administration Order Made: 10 June, 1992
P G Porter
Joint Administrator

COMPANY NOTICES

SAVE & PROSPER FINANCIAL SECURITIES FUND

Coupon 142 falls due for payment on 15th July 1992 at a rate of 1.39p per financial securities fund unit.

Coupons should be presented to: Global Custody Services, The Royal Bank of Scotland Plc, Corporate Trust Department, Regent's House, PO Box 348, 42 Islington High Street, London N1 8XL from whom listing forms can be obtained. Coupons must be lodged by an authorised depositary and left three days for examination.

ART GALLERIES

KUNSTMUSEUM AND KUNSTHALLE Basel/ Switzerland. TransForm Picture Object Sculpture in the 20th century 14.6. - 27.9.1992. Daily 10-17 h.

MARTYN GREGORY Paintings of the China Coast 1780-1880. Until 3 July. 34 Bury St. St. James's London SW1. Tel: 071 839 3731

MY OFFICE

Ian Gibson does not have an office. The man who manages 4,000 people at Nissan in Sunderland sits on a wooden chair at a small desk in a big open-plan space. He wears a mid-blue uniform with the Nissan logo on one lapel and a Queen's Award for Exports badge on the other. From where he works he can see scores of identical desks and chairs occupied by identically-clad people.

The only sign that Gibson is the boss is the couple of extra feet of space that surround his desk. Everything else about him – appearance, conversation, what he eats and where he parks his car – shouts the same message. At Nissan privilege is out; equality and accessibility are in.

Lucy Kellaway shares a sandwich from the canteen with Ian Gibson, the man in the driving seat at Nissan

Bringing equality into the open

Gibson reckons that Nissan has outdone the Japanese at their own game. With relish he explains how the first MD – a Japanese – had his own office. But once he left, the British directors decided to move out with everyone else.

"In Japan there is a more layered culture," he says. "We get a lot of resistance from our Japanese visitors – they feel more comfortable in a private room." For them and for the more sensitive of the politicians, suppliers and customers who make the journey to the Sunderland car plant, there is a private meeting room. This contains a plain table and a sofa and chairs, arranged in formal Japanese fashion.

Gibson views such private sessions as a dieter would regard a cream cake. "I don't like to give in to the visitor syndrome," he says. "It is very easy to lay on lunch in the visitors' dining room, but I prefer to talk to them out here, and take them to lunch in the canteen."

The British subsidiary has also taken a stand against the cult of the personality. Two small photographs of the chairman and managing director of the Japanese parent company are barely tolerated in the otherwise unadorned visitors' room. "We may be able to get rid of them soon," Gibson says. In the annual report there is no picture of the managing director; his statement does not even bear his name. "I do not like glory hunters and do not want to be one," he says.

Indeed, Gibson is so self-effacing and so intent on promoting the team that he tends to reply in the plural, whatever the question. What does he think of the uniforms and the open plan space? "For the first six months, most people said it was difficult to adjust to the open plan office," he replies. "But we all liked the idea of the uniform as it shows we are trying to be more equal."

He – or rather they – did draw the line at the company song and company exercise sessions: "We did not feel comfortable with that".

What about personal effects? Wouldn't he like to have a few of his own things on his desk, which by company rules has to be cleared every night? No, he says, he has just what he needs.

He moves over to the desk (which he makes a point of never sitting behind when he has visitors, using instead a plain table surrounded by four chairs), and indicates a modest collection of belongings. "There's a picture of me missus, a clock given out when I was at Ford, my pipes, ashtray – that's about it."

To anyone used to working in complicated hierachies with colourful characters and pushy egos, there could seem something a little bland, depressing even, about Nissan's well-regulated atmosphere.

In the entrance lobby area are notices declaring the group's determination to cherish its people and certificates extolling its training policies. The reception area doubles as a communal meeting room with little tables and chairs. At one, the lady in charge of the lavatories is talking disinfectants with a supplier. Upstairs everyone is quietly getting on with their work. At lunchtime, many of the workers do what the boss himself does, and pick up a couple of canteen sandwiches to eat at their desks.

Gibson works hard, and expects others to do likewise. His office day starts soon after 7am, and would continue until after 6pm, were it not for his charitable work. This means about two meetings a week for Business in the Community, universities and local charities.

To help him, his he has one secretary, who spends much of her time heading a "kaizen" group on continuous improvement in Nissan's administration. The phone rings and as the secretary is not there, he answers it himself. With no unnecessary preliminaries, he asks what it costs to sponsor a race.

Ian Gibson: 'I do not like glory hunters and do not want to be one'

Those who think that the efficient, caring set-up at Nissan sounds too good to be true would be heartened by a book* published this week arguing that it is a sham: the company is taking advantage of high unemployment to extract more than its pound of flesh from its workers.

Gibson shows no defensiveness at the mention of the book. "I don't know how to put it . . ." Always understated, he is being particularly careful. "They wrote the book without ever coming here. If you read it, it is about political class struggle . . . I believed that was something that had died out in British industry." Maybe it has at Nissan, but then Nissan will waste no time in telling you that it is ahead of the game.

**The Nissan Enigma by Philip Garrahan and Paul Stewart. Mansell Publishing*

How stress can make you tick at work

Jenny Cozens explains why some people can cope well with pressure while others crack up

Stress was once thought to affect only top executives, who had important jobs and stomach ulcers to prove it. But then psychologists discovered that people further down the occupational ladder were even more stressed than those at the top.

The floodgates opened and researchers started describing stress in taxi-drivers, stockbrokers, policemen, doctors and even in vicars. Far from being ashamed that they felt under pressure, people began boasting about the stress in their professions.

Academic research has now gone a step further: increasingly it shows that although some jobs are stressful, certain types of people survive, while others have problems.

The idea is that factors within the individual are as important as ones related to the job. Some researchers put it down to personality, others to early experience, and some are even looking for the job satisfaction gene.

This new line of research emerged in the 1980s, striking a chord with the general emphasis placed during the decade on the individual.

Most of the studies have followed people over a long period of time to see how they feel about their jobs, to assess their symptoms, and see what effect life events like marriage and relocation have had.

One US study using 10 years of survey data on almost 5,000 men and women looked at the effects of major life changes on well-being.

It found that individuals' scores were fairly constant over time, even when they had been through stressful events, like changing jobs or partners or moving house.

The research does not doubt that most of us feel bad as a reaction to things going wrong or to being under severe pressure. Instead, its message is that the majority find it relatively easy to adapt to these changes, but the rest will react with symptoms of stress.

A review by two American stress researchers looking at a number of studies of life stress – occupational or otherwise – concluded that around 25 per cent of the population was chronically stressed.

Another long-term American study found that teenagers' dissatisfaction with their jobs correlated closely with how the same people saw their jobs when they were in their fifties.

An employer's natural response to this new body of research might be to page the in-house psychologist to identify the stressed workers with a view to firing them. Once that small, dissatisfied group had been removed, the boss could then make the job as difficult as possible, knowing the rest could take it.

It is not as easy as that. While some people are more susceptible to stress than others, stressful aspects of the environment do lead to poorer performance and mistakes, whoever is doing the job.

A recent study of banks in the US found that the attitudes of the counter staff in any particular branch were closely reflected by the attitudes of the customers.

So if the bank clerks were unhappy with the personnel policy of their branch, this was reflected in the customers' attitudes about service.

Moreover, stressed people sometimes have other attributes that the organisation needs: a recent study of junior doctors showed that those who were chronically stressed over a couple of years had more empathy with patients than the cheerful lot.

There is plenty of evidence that providing psychological help within the workplace, as the Post Office and some commercial organisations have done, reduces the symptoms, improves job satisfaction and discourages absence. A recent study by Professor Cary Cooper and his team from the University of Manchester Institute of Science and Technology found that absence fell by 50 per cent on average for those who had attended the Post Office counselling service.

There is also evidence that introducing a more general stress management course – one that reaches cheerful employees as well as those who might be more in need – reduces mistakes. For example, an American study looked at 67 hospitals and found that the number of litigation suits for malpractice was related to levels of stress in the employees. When they introduced an organisation-wide stress management programme, drug prescription errors were halved and litigation suits fell from 31 in one year to nine the next.

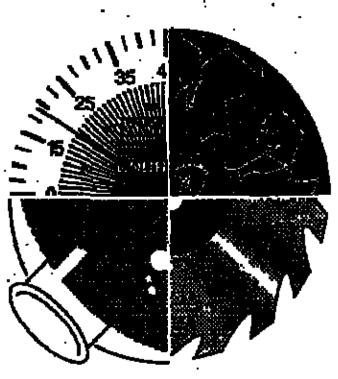
In a recent study that I conducted with a colleague looking at change in attitudes after therapy, we found that not only did people's symptoms fall after therapy but they also liked their jobs more. They enjoyed being with their colleagues more, felt much more competent and felt their workload was less demanding. They were even more satisfied with their pay.

Not everyone reacts to their job in a way which makes them stressed. What matters is that difficult jobs continue to be be improved, and that the people who find themselves affected are given the help they need, wherever it's possible.

The author is a consultant psychologist

TECHNOLOGY

Worth Watching · Paul Taylor



Fax machine for the globetrotter

Globetrotting executives can still face telecommunications problems once they step off the beaten path. It is not easy, for example, to send a fax from a Tibetan mountainside or check the head-office database from deepest Africa.

But portable global communication is now a reality for travellers in areas of unreliable or non-existent communications.

Inmarsat C mobile satellite earth stations, supplied by UK-based Applied Satellite Technology, work with portable personal computers and use the geostationary Inmarsat satellites to provide two-way telex, fax (send only) and other data communications from anywhere in the world.

The briefcase-sized Nomad 2000 weighs 5kg and takes just minutes to set up using a directional antenna. It works with any MS-Dos compatible computer transmitting at a speed of 600 bits per second and can send data for 30 minutes or receive for 60 minutes using its internal batteries.

The Nomad 2000 costs £6,790 and can be supplied with an optional £1,300 laptop computer. Applied Satellite Technology: UK, 0603 427434.

Immune system battles stress

Feeling run down? Researchers at Utrecht University now think that prolonged acute stress could weaken the body's immune system, making it more prone to illness.

In their study the researchers subjected secondary school teachers to stress by asking them to solve an impossible three-dimensional puzzle under a time constraint. The volunteers' white blood cell count was taken immediately before and after the stress test. In some teachers the number of natural killer cells had risen considerably by the end of the test, but returned to normal within 30 minutes.

Although it is difficult to draw conclusions the researchers believe that the number and intensity of stressful events have a negative effect on the body's resistance. In the long term this could increase the chance of infections. Utrecht University Academic Hospital: The Netherlands: 31 30 507680.

Spreadsheet keeps itself in check

ONE of the chores of building a computer spreadsheet is checking that the data has been accurately entered. Reading the numbers back to a colleague is both time-consuming and tedious.

But Temair Software, based in Rhode Island, has developed a software package called Spreadsheet Echo which enables the computer to read Lotus 1-2-3 spreadsheet numbers back to the user.

The software will read back a range of numbers either by row or column, can be told to pause between cells, and speak in either a male or female voice. The user can also set speed or volume levels and listen through the computer's internal speaker or through headphones.

The programme, which costs $99.95, is also multilingual.

Temair Software: US, 401 454 4565.

Reinventing the golf cart

Who says there is no point in reinventing the wheel? Hugh O'Neil has done just that with a revolutionary golf cart which features slits on the outer rim of the tire. They follow the contours of the ground, changing shape from a round to an oval as they traverse.

The result is a machine which can go anywhere in extreme weather conditions but which exerts about a quarter of the pressure of an average man's foot.

The three-wheeled Elite golf cart is battery driven, carries one person at 14kph and costs £1,800. Elite Golf Products: UK; 0306 743945.

Driving through the border lines

Europe's cellular phone network is poised to cross national frontiers, writes William Dawkins

Good news is on the way for car telephone users in Europe who find their phones stop working as soon as they drive over a national border into an incompatible network.

From the beginning of next month, the first commercial examples of a new generation of cellular telephones, able to receive and make calls anywhere in Europe, come on sale in France and Germany.

They are based on a common European standard, called GSM (Global System for Mobile Communications), to be phased into full operation over the next five years in the 17 countries that have agreed to use the GSM norm. The current patchwork of six conflicting regional systems will, for the time being, continue alongside the new network.

It is no surprise that France and Germany are the first to introduce GSM. They badly need to catch up. A large number of businessmen and women cross their long frontiers regularly and yet both countries have among the lowest use of cellular phones in Europe, well behind Britain, Switzerland and the Scandinavian countries.

GSM, a digital transmission system, is radically different from the current analogue generation in that it delivers ultra-clear sound and a range of clever functions. In addition, a GSM phone can be plugged into a fax machine, a computer or even a teletext terminal like France's Minitel system without a modem.

Each subscriber has a smart card which stores personal information. This is slotted into the phone to make it work. The card, rather than the terminal, contains the subscribers' telephone number and tells the operator where to send bills. If necessary, a subscriber can leave his phone at home and rent or borrow a portable one, whether in a taxi or someone else's office. The card can also be programmed so that calls can be forwarded. Incoming calls can be held while the phone is engaged, and outgoing or incoming calls can be barred.

Baptised "Itineris" in France, the system is being launched by France Télécom in Paris and Lyon from July 1, with the German system to follow a week later. France Télécom plans to cover three more cities by the end of the year and 90 per cent of France by 1995. SFR, the French private sector cellular phone operator, plans to unveil its own GSM system shortly.

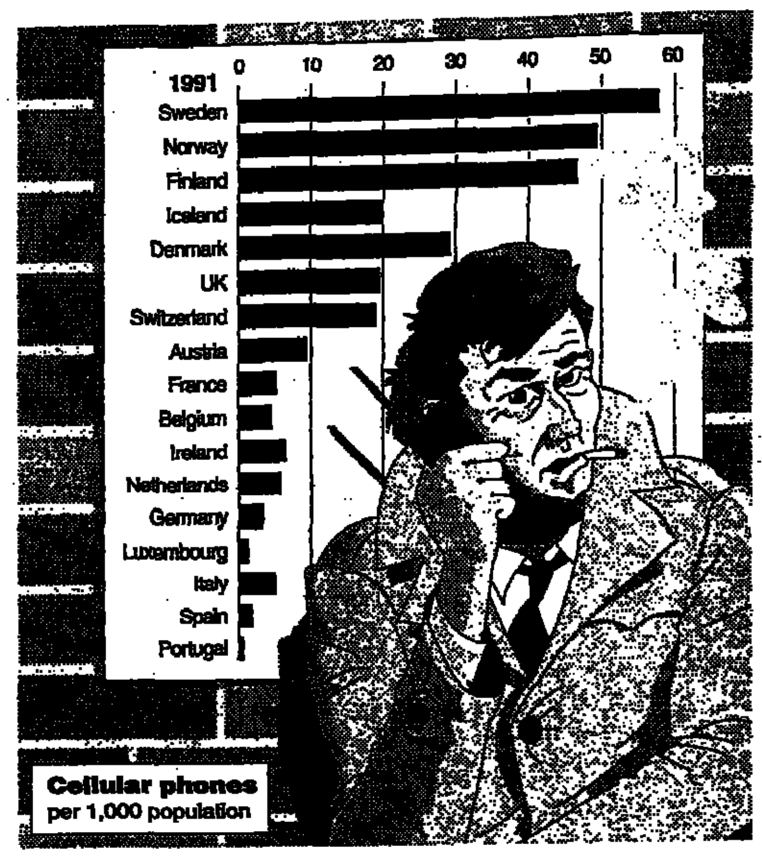
Itineris phones, initially supplied by Orbitel, Nokia and Motorola, sell for between FFr10,000 (£1,000) and FFr15,000, slightly cheaper than existing cellular phones. Prices could even halve in the next five years as European sales grow and allow the producers of terminals to achieve economies of scale, predicts Marcel Roulet, president of France Télécom.

Clearly, it is too early to say how Itineris will go down with the French public. The coming year will be for "technical evaluation", with commercial take-off likely in 1993, believes Roulet.

Already, technical experts point to two possible improvements. Some users, they fear, might be baffled by the big choice of functions, so some form of automatic guidance would be desirable, like the help function on a computer program. Second, because equivalent chips on GSM smart cards and existing French telephone charge cards are positioned differently, it will be impossible in the future to use the same bit of plastic for both.

However, GSM should avoid the capacity limits imposed by the shortage of radio frequencies, which affects the two analogue networks, France Télécom's Radio 2000 and SFR. Instead, digital technology will increase capacity in the European countries that have applied the standard to 20m, compared with just 3.4m subscribers now.

On the strength of this, France Télécom believes that around a fifth of its income from telephone charges will come from cellular services by the end of the decade.



Cellular phones per 1,000 population

Computer takes on a mind of its own

Steven Butler says the 'thinking' machine is a little closer to becoming a reality

A computer that does not need software to tell it how to perform a task appears to be a contradiction in terms, but that is what Ricoh, the Japanese office equipment company, unveiled yesterday in Tokyo.

Don't start erasing software files from your computer just yet. Ricoh's experimental neural computer – so called because it imitates human thinking processes – can only learn 16 characters at a time, even though it is put together with microchips that are blazingly fast.

This is indeed a primitive performance for a computer that is 500 times faster than the typical workstation, and four times faster than supercomputers.

Ricoh's neural computer is none the less a tantalising hint of things to come. In a year or so Ricoh hopes to install a small neural computer in its office photocopiers – one that will learn by itself, without software that sets parameters, how to adjust all of the interrelated variables that determine whether a copy comes out with even tone.

The neural computer itself is not a new concept. Other Japanese companies like NEC, Fujitsu and Hitachi have developed neural computers that learn from their mistakes until they can perform a task. The theoretical advantage is that these machines should eventually be able to deal with ambiguous situations and to make judgments, like the human brain. They could be useful for text or voice recognition.

Morio Onoe, professor emeritus at Tokyo University and general manager of Ricoh's R&D group, says that existing neural computers have combined the traditional central processing unit with software that imitates the functions of neurons of the human brain.

Ricoh's computer, by contrast, has no central processor, just 16 neurons that operate in parallel and are linked together. This allows them to perform at much higher speed. The computer is fed information in digital form and given a goal, but left to its own devices on how to achieve it.

So far the tasks performed are simple. The computer, for example, was yesterday fed equations describing the rolling of a ball on a tilted see-saw, and told to move the see-saw to prevent the ball from falling off the end. After a dozen of so failed attempts, the computer managed to balance the ball in the middle.

Onoe says the advances have come in two areas: the dispensing of software that instructs the computer how to perform specific tasks and higher-speed processing of complex problems.

The experimental computer is put together with 32 neural chips which Ricoh developed two years ago and which have a single neuron per chip. The computer has a processing speed of 128 MCPS (million computing connections per second).

The drawback of Ricoh's neural computer is that it requires a huge amount of computing power to learn something useful.

Onoe says the first practical applications for the computer will be in mechanical control, where the variables are relatively few. While Ricoh plans to use the technology in its own office machines, it would also welcome partners to develop control systems for factory robots. Use of the computers for voice or character processing will require much larger capacity.

Don't expect the machines to appear on desk tops any time soon. But they could eventually learn not only to process words, but print out letters from dictation and eventually, perhaps, write the memos on their own too.

PEOPLE

Lord Kindersley (left), who has chaired Brent Walker through its £1.65bn refinancing, is to retire from the group at next month's annual meeting. He was appointed in January 1991 expecting a fairly brief, though arduous, tenure of the job. But the repeated delays in completing the refinancing until the end of March this year kept him occupied seven days a week.

Now, at 62, he looks forward to spending some time on his other interests, he says. One of his top priorities is to organise a deer-park owners' initiative to improve the marketing of venison. He has 400 deer of his own in Kent. His preoccupation with Brent Walker, which yesterday reported an annual loss totalling £411.4m, has, he says, nearly cost him his place on the management committee of Wimbledon. And he feels that as chairman of the Thailand Investment Trust he really ought to visit the country.

Also resigning is Alan Clements (right), former ICI finance director, who joined as a non-executive director in the early stages of the refinancing as well. He subsequently became the only non-executive director on the board and had to carry the burden that entailed. He too has other interests requiring his time, not the least his directorship of Mirror Group Newspapers.

Brent Walker is in the process of recruiting a new chairman and some non-executive directors. Some names should be ready by the agm.

Moving upstairs in the Lever household

Lever Brothers, the UK detergents business of Anglo-Dutch consumer products company Unilever, has a new chief executive, Andrew Seth, who arrives from Lever Europe in Brussels. He had been a general manager in charge of household cleaning products for the past two years, and earlier held a series of positions with Lever elsewhere in Europe as well as America. In the late 1970s and early 1980s he had been marketing director of Lever Brothers in the UK.

Seth, 55, replaces Roy Brown, who at 45 has moved up to the Unilever main board as a regional director with responsibility for Africa and the Middle East. Clearly on the Unilever fast-track, Brown has moved speedily through the ranks. He had been chief executive of Lever Brothers for less than 18 months, where one of his principal tasks had been to oversee the implementation of the UK end of the new Lever Europe strategy – the drive to make the European detergent businesses work together more effectively. Also during Brown's time there, Lever introduced concentrated liquid detergent to the UK market.

Among a range of many previous posts within the group, he has been technical director of Bird's Eye Walls and chairman of Plant Breeding International. His overseas experience comes partly from a period in the mid 1980s when he was chairman of Unilever's plantations activities.

Departures

■ Patrick Cooper is resigning from the board of GOODE DURRANT but remains a director of its subsidiary Ravenstock (Tam) Holdings.
■ Gerald Palfreyman has resigned from EVODE.
■ Leonard Blackwood has resigned from P-E INTERNATIONAL.
■ David Watkins has resigned from MOUNTLEIGH.
■ Charles Charlwood has retired from AITKEN HUME INTERNATIONAL for health reasons.
■ The Earl of Shrewsbury and Waterford has resigned from the BRITANNIA BUILDING SOCIETY.
■ Colin Burrowes has resigned from CAKEBREAD ROBEY & CO.
■ Derek Henson is retiring from J SAINSBURY.

Moves in finance

■ Tony Herbert, Denison Moxon and Jim Morris have been appointed directors of GREIG MIDDLETON.
■ Richard Kilsby, formerly vice-chairman of Charterhouse Bank, has been appointed an md of BANKERS TRUST COMPANY. Tony Moore, formerly with County Natwest, has joined Bankers Trust Company as an md and head of corporate finance origination for the UK and parts of Europe.
■ Richard Payne and Christopher Collins have been appointed directors of PANMURE GORDON.
■ James Jamieson has been appointed a director of the PRINCIPALITY BUILDING SOCIETY.
■ Stuart Bridges has been appointed to the board of TOUCHE REMNANT INVESTMENT MANAGEMENT.
■ Patrick Sellers has been appointed director of LLOYDS DEVELOPMENT CAPITAL.
■ Dermot Keegan is appointed director of retail sales for COUNTY NATWEST INVESTMENT MANAGEMENT.
■ Stephen Hargrave has been appointed chairman of the CHILDREN'S MEDICAL CHARITY INVESTMENT TRUST in place of Andrew Perloff who remains a director. Luke Johnson becomes deputy chairman.
■ Neil Williams is joining COUNTY NATWEST INVESTMENT MANAGEMENT as a UK economist from Crown Agents Asset Management.

Instructive role for Wally Olins

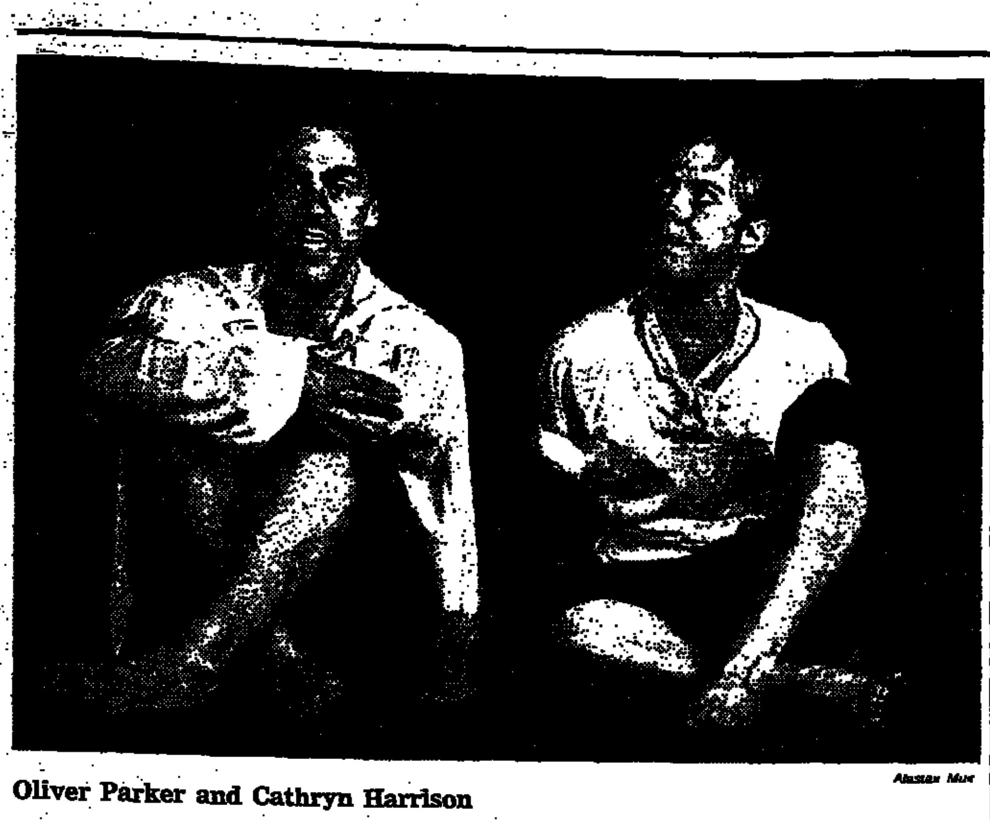
Wally Olins, one of the UK's design gurus, has decided to go back to school. "Not before time," might be the cry of all those critics of the revamped corporate image sector of the design world, of which Olins is a leading light.

But before the knives flash too fiercely, let it be known that Olins is returning to education not to learn but to instruct. He has just been appointed visiting professor at Lancaster University management school, where he will be involved initially in the school's MBA courses.

Later he will participate in the expansion of the school's marketing programme; there are plans to introduce an advertising course this year. Olins will continue his role as chairman of Wolff Olins, the corporate identity consultancy, which he co-founded.

Lancaster clearly feels chuffed with the appointment. Its press release proudly mentions Wolff Olins' corporate identity work for VW/Audi, Prudential, Bovis, Akzo and the Metropolitan police force in London. But strangely, it omits to mention the most famous recent Wolff Olins work, the corporate redesign for BT, the implementation of which is estimated to have cost some £50m.

The new logo – a silhouette of Pan blowing a heraldic trumpet – met with widespread derision, not least because Pan blew a syrinx.



Oliver Parker and Cathryn Harrison

Theatre/Malcolm Rutherford

As You Like It

The Open Air Theatre at Regent's Park ought to be the ideal setting for *As You Like It*, just as it is for *A Midsummer Night's Dream*. The Forest of Arden corresponds more closely to Regent's Park than most of the rest of London. Never underestimate, however, the chances of a director getting it wrong by trying to be clever. Maria Aitken's production is perverse.

To be fair to Ms Aitken, her *As You Like It* is not nearly as dreadful as her programme note would lead you to think. Aitken claims that Jaques, the melancholy outsider, is the equivalent of a 20th century movie director: he has spotted that all the world's a stage and Arden is the place where you go to shoot on location.

The idea produces one good joke. In the wrestling match Orlando gets hammered in the first round. Jaques, the movie director, calls a halt and substitutes the stand-in who pummels the court wrestler close to death. This is Hollywood triumphant, but merely a gloss on *As You Like It*. Gradually Hollywood recedes and the play takes over although the production remains perverse.

Ms Aitken appears to think that all the men in the play are drips and all the women players. There is some evidence in the text for her point of view – Orlando is not a ball of fire and you could say that Rosalind is lowering her standards by chasing him. On the other hand, if you take the female superiority too far, you begin to distort the play. *As You Like It* is about boy meets girl, mutual attraction. There has to be something to be said for the men.

Aitken's preference for putting the women first has strange effects. Corin, the shepherd, has some wonderful lines in defence of the pastoral society: "The greatest of my pride is to see my ewes graze and my lambs suck." He is not allowed to speak them as if they are at the heart of the play or as if anyone might wish to take him seriously.

The minor part of Phebe, the shepherdess, comes out as one of the most striking characters. This is partly because she is played by Anna Patrick, whose performance as Helena in the Regent's Park production of the *Dream* has already shown her to be an actress at the top of the class. It is also because the production suggests that she is a woman striking out on her own. The text shows plainly that she is only having a minor fling.

Aitken's perversity runs into problems with Jaques, played by Bette Bourne. He is overcoiffeured and noticeably overweight. He speaks his lines very well, but the underlying suggestion is that he is suffering from some fatal disease, quite probably AIDS, not an improvement on the original unexplained melancholy.

Rosalind is played with some distinction by Cathryn Harrison. The question remains of what a clever girl like this is doing chasing a duffer like Orlando. The logical conclusion of Aitken's interpretation is that Rosalind should go off with Phebe. Still, you can't keep a good play down; nor the pleasures of Regent's Park either.

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Moll Cutpurse

In 1610, the famous rogue Moll Cutpurse saw her own life dramatised as *The Roaring Girl* by Thomas Dekker and Thomas Middleton. If real characters could wander on stage, why could not Middleton mix it with Moll offstage? That situation provides the comedy in *Moll Cutpurse*, an entertaining play about Middleton at the Drill Hall Arts Centre.

Nick Stafford's fantasy works on situation rather than plot. Middleton appears as a blocked writer who cannot bring himself to say "Shakespeare" or to quote from any of the plays. He decides to garner material for a new play, and lights on Moll. She and her confederates, Maria and John, welcome him as only those hungry for publicity welcome a TV documentary crew.

An intrigue of deception ensues, driven by greed and lubricity. The action turns on a flimsy revenge plot, a bag of counterfeit coin and the writing of Middleton's play. The labyrinthine business strikes a parody of Middleton's own plots; and the language is a riot of plackets and peccadillos, consistently bawdy and suggestive. Middleton attempts to shepherd all this chaos into the pages of his own play.

Simon Deacon's ambient music lifts the action and helps focus Helen White's clever direction. She gets fine performances from the cast of four. Peter Shorey as Middleton and Janice McKenzie as Moll establish a bruising rapport; Shorey in particular shows control and range. The play's funniest scene, between Middleton and Moll's confederates (Beaux Bryant and Jim Findley) finds him physically sick in being forced to hear Shakespeare's *130th sonnet*.

But the New Perspectives Theatre Company has shackled itself in this production to the ideal of "political correctness": fine in principle but clumsy in practice here. Old norms are assiduously avoided: so the women are lesbian, the men gay, and relations between the sexes financial. The choices for women look stark: servant, whore or wife; unless like Moll they "live by their wits against all costs."

Beyond the bustle and energetic acting, *Moll Cutpurse* needs a wider scope, grander design. As a play about Middleton, it offers little. Its seriousness focuses on the position of women, then and now. Fifty years after Middleton's death, one playwright was writing more and better on the same. Her name was Aphra Behn.

Andrew St George

Drill Hall Arts Centre (071 631 1353) until 27 June (ex. 19 June)

Austerity with a baroque twist

Susan Moore reviews the art and craft of the Hutterites and Mennonites

In summer, the colony bell wakes everyone at 6.15 am. The bell calls the adults to the communal kitchen for a breakfast of prunes, cheese, smoked ham, bread, jam and coffee. Quickly and in order the men file in, hang their hats and take their assigned places on benches around a long table. All wear black working trousers and coloured shirts; the mature men are bearded. The women follow and sit at a second table, their hair identically arranged, their clothes another uniform of polka-dotted head scarves, long patterned dresses and aprons. No children are present.

A short prayer. Each person eats quickly and in silence. Another prayer. The dishes are carried into the kitchen. Women finish clearing the tables and begin washing up. The procedure takes seven minutes in all.

The colony is Hutterite, the date the mid 1960s. For the first time, outsiders had been admitted to observe and photograph the life of what is the most long lived of all Christian Utopian communities. The Hutterites, like the other two surviving German-speaking Anabaptist sects, the Mennonites and the Amish, chose to separate themselves from church and state in the 16th century. Endlessly persecuted, not least for their pacifism as well as for their separateness, they sought refuge and land to farm first in Prussia or Russia, then the US, and latterly in Western Canada.

Unlike the Mennonites and the Amish, their life is communal, their modest earthly goods the possession of the community rather than an individual. Moreover, they have continued to resist integrating into a wider community. In North American in 1965, a population of some 16,500 Hutterites was recorded in 170 colonies.

An image of those cheerless, regimented breakfasts ought to haunt like a spectre "All Things Common", a beautifully presented small show of Mennonite and Hutterite furniture, textiles, metalwork, ceramics and calligraphy at Canada House. So seductively simple and wholesome are these workaday rustic chests and chairs, and handsome quilts, that the harshness of the life for which they were made is blurred in a romantic mist.

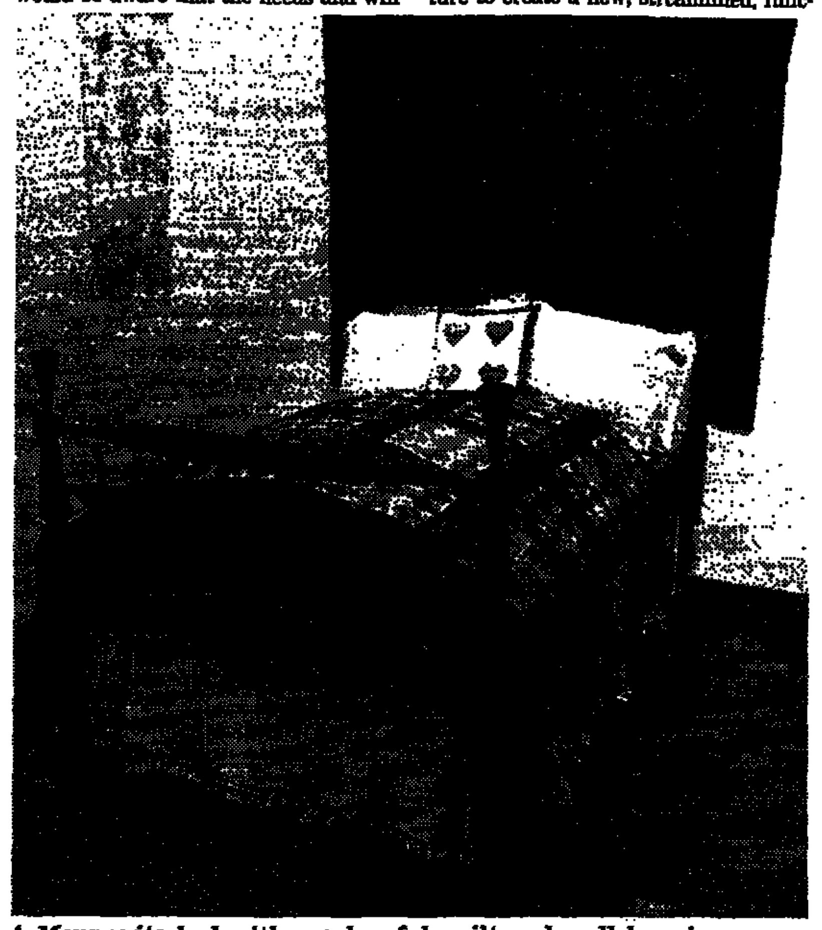
The Hutterite children who slept in the gaily painted turn-of-the-century cradle, and played in the child's wagon of around 1930, were not allowed to favour their own mothers above other members of the community. Indoctrination began early: by the age of two they would be aware that the needs and will of the colony took precedence over those of the individual. Indeed, the individual will had to be broken, individuality suppressed.

There appears to be a contradiction between what we see in this exhibition and what we know. Despite their austerity, the so-called "Plain Folk" in sombre blue clothing appear not so plain after all. Unlike the Shakers who rationalised 18th century English furniture to create a new, streamlined, functional style, Mennonite and Hutterite craftsmen continued to copy and simplify old prototypes. Those prototypes happened to be in the most immodestly exuberant and self-indulgent of decorative styles, the baroque.

The survival of Germanic forms and decorative traditions among these – and other – widely dispersed and much travelled Germanic colonies is striking. Theirs is a similar small repertory of essential furniture: blanket boxes, wall cupboards, chairs, tables and sleeping benches, which serve as storage chest, bench and bed. In the latter, in particular, we find Baroque curlicues and scrolling arm rests, back rests and skirts. Throughout are unexpected bright primarily colours, inlay, *trompe l'oeil*, and Hansel and Gretel heart-shaped cuts outs.

In contrast to Shaker furniture and artefacts, some of these pieces seem fussy, galumphing and poorly made. What they lack in aesthetic and technical refinement, however, they often make up for in spirit. We can imagine the sense of satisfaction felt by the man who carved the heart in the top of the cabbage cutter here, or forged the heart-shaped trivets, as well as the simple pleasure derived by those who handled them.

An instinctive feel for colour and design is evident in the traditionally patterned Mennonite quilts on show. That sense of design is also apparent in perhaps the most distinctive works here – the lively manuscript illumination known as "fraktur". Again, the art form derives from Swiss-German traditions, but it flowered in the New World. The motifs that once decorated the borders of important family documents became as important as the script itself, and even exist without it. Eight-pointed stars, hearts, birds, flowers, animals and trees of life weave their lively, rhythmic watercolour courses across the page.



A Mennonite bed with a colourful quilt and wall hanging

All Things Common continues at Canada House, Trafalgar Square, until July 3.

Opera in Italy/William Weaver

Bartoli's 'Cenerentola'/'Così fan tutte'

Concluding its opera season, the Bologna Comunale has just mounted a sparkling new *Cenerentola*, obviously intended also as a contribution to the Rossini bicentenary festivities, which continue in full spate throughout Italy. The new production served further as a showcase for the young mezzosoprano Cecilia Bartoli, the brightest rising star in the Italian operatic firmament, known as much for her notable recordings as for her theatre appearances.

But Bartoli in the real life of the stage is even more exciting than Bartoli on discs, for in addition to her vocal virtuosity she is an engaging, natural actress, sensitive to words, including those of her fellow-performers. She never performs in a vacuum, but securely in context.

In Bologna she was surrounded by first-class performers. *Cenerentola* is not a mezzosoprano vehicle: it makes heavy demands also on the other interpreters, and the casting of Ramiro, Magnifico and Dandini is as important as the choice of the heroine. Bologna had William Matteuzzi, Claudio Desderi and the talented young Lucio Gallo for these three parts, and the spiteful stepsisters were aptly played by Fernanda Costa and Gloria Banditelli. The philosopher Alidoro, of whom little but stately nobility is required, was strongly cast, too; and the bass Pietro Spagnoli added to that nobility of mien authority of voice and evident human concern. Riccardo Chailly, the permanent conductor of the Comunale, used the new critical edition of the score, which inspired a translucent reading with far more subtlety and charm than the usual. Chailly allowed the vein of pathos to run through the performance.

Bartoli's Cinderella, however, was not pathetic or sentimental, even in the opening scenes. Her first words to the prince were immediately moving in their simplicity. In the end, when goodness has triumphed and the radiant newly-made princess proclaims that her forgiveness of her stepsisters will be her revenge, there is just a hint that vengeance will get the upper hand and the stepsisters had better watch out. This Cinderella is a young woman of strong character, whether among the embers or on the throne.

In unusually good voice, Matteuzzi portrayed a youthful man of spirit, convincing as prince and lover. The young Gallo has a big, commanding voice, perhaps more suited to verismo opera than to Rossini; but he handled it well and provided an untraditional, originally comic valet-turned-prince. Claudio Desderi was a Don Magnifico totally in command, outrageously funny and infallibly musical, singing not grumbling his music. Like all the others, he was firmly supported by the staging of Roberto De Simone, whose view of the piece entirely corresponded to that of Chailly: the comedy always had a welcome elegance. Greedy, self-important, foolishly ambitious, this Don Magnifico was, nevertheless, an aristocrat.

Odette Nicoletti designed delightful costumes; and Mauro Carosi invented a splendid and versatile set, a high arch crowning two curved staircases, in Vesuvian-villa style. Thus, with a minimum of shifting, the scenic elements could be transformed from the Baron's decaying palace to the Prince's country seat. The Comunale orchestra was obviously in complete agreement with Chailly's approach, and they played at the top of their form. The chorus, too, seemed newly energised. All this bodes well for the recording which Decca will make just after the final performance of the season.

★

Stimulated largely by the success of his recent recordings, considerable interest surrounded the Italian debut of John Eliot Gardiner as producer, staging Mozart's *Così fan tutte* at the charming Teatro Comunale in Ferrara. This was a co-production with the Teatro Sao Carlos of Lisbon, where it was seen last month. The Ferrara opening night, last Friday, was sold out; and critics and cognoscenti came from all over the country for the event.

The reception was warm, but the artistic results were mixed, and some of the specialists were disappointed. Not with Gardiner's conducting, which was, as expected, of great authority and sensibility. From the very first bars of the Overture it was clear that the excellent English Baroque Soloists were in secure hands: tempos were firmly set, but never so rigid as to exclude expressive play. And, except for a very few awkward horn blurts, the sound was sweet and silken, unusual for an "original instruments" orchestra.

It was the voices that fell short of expectation, especially the women. Amanda Roocroft (Fiordiligi) and Rosa Mannion (Dorabella) both have a pretty soprano sound, but without personality. True, in Gardiner's view, the two sisters should be, for much of the piece, virtually identical (and they wore confusingly twin costumes in the first scenes); but their interchangeable sameness quickly became monotonous. The generic quality of their singing was exacerbated by their woeful enunciation of the Italian text and the excess of gesticulation and grimacing that marked their acting was a hindrance rather than a help to comprehension. In the mugging department, Eirian James was the worst offender; the voice also lacked charm.

Carlos Feller gave the Italian words their proper value, and his Alfonso was the only character with three dimensions. He really looked and moved like an 18th century Neapolitan gentleman, not like a costumed singer. Unfortunately, his voice is an unpleasant bark and he had difficulty with pitch. The boys – Rainer Trost (Ferrando) and Rodney Gilfry (Guglielmo) – were generally better actors, but their singing suffered from the same lack of focus as the girls', and their Italian was only marginally better.

In a long evening (four hours including one interval), the generic singing grew soporific, and one could not help wondering if it was worth opening cuts and restoring often-suppressed recitative. Gardiner, in a programme note, insists that he has turned producer only to prevent someone less knowledgeable from mucking about with the work. An excellent motive, and his staging does indeed respect the text and the music, except for a few instances where the maestro himself succumbs to produceritis, introducing chained prisoners into the scene of the troops' arrival and two mincing Pulcinellas into the near-wedding.

The story is firmly set in late 18th century Naples by the splendid, seductive sets as costumes of Carlo Tommasi. Dorabella and Fiordiligi could not have been brought back to their native Ferrara in a more handsome visual context.

INTERNATIONAL ARTS GUIDE

Bonn's new DM130m *Kunst-und Austellungshalle* will be opened today by Chancellor Helmut Kohl. Funded entirely by the German federal government, this gigantic exhibitions complex will have a multi-disciplinary approach, emphasising and investigating the links between the arts and sciences. The idea of creating an exhibition centre to demonstrate the federal government's commitment to culture (usually the responsibility of the regions in Germany) dates back to the 1950s, but it was not until 1985 that an international competition was launched to design a suitable building.

The winner was Viennese architect Gustav Peichl, who has designed a straightforward rectangular building giving over 4300 square metres of exhibition space on several levels. A roof-top terrace is capped by three unequal cones, admitting light to the areas below and symbolising the classic triad of the visual arts: architecture, painting and sculpture. Further symbolism can be found in a row of 16 dark metal columns along one side, one for each German Land. In addition to flexible exhibition spaces, there is a technically sophisticated complex consisting of a library, television studios and rooms for lectures, concerts and film shows.

The Kunsthalle opens with five different displays which will run throughout the summer. The first is a synthesis of the main developments in modern art, from the end of the last century to the present day, with 150 key works by 120 artists, all of whom were rejected or misunderstood by their contemporaries. Pantheon of 20th Century Photography is another historical display, bringing together images by 30 photographers, including Diane Arbus, Bernd and Hilla Becher, Paul Strand and André Kertesz. Niki de Saint Phalle gets a solo show, with a wide range of works inside the building and a further 35 outside in a kind of roof garden. This is the first time so many monumental works by the French artist have been shown in one place.

Another retrospective is devoted to Gustav Peichl, while a major display entitled Global Change confronts the world's environmental problems, giving a view of the Earth on satellite data, photographs and audio-visual systems.

The artistic director of the new centre is Swedish scholar Pontus Hulten, former manager of the Los Angeles Museum of Contemporary Art, Palazzo Grassi in Venice and the Centre Pompidou in Paris.

EXHIBITIONS GUIDE

AMSTERDAM

Stedelijk Museum The Great Utopia: the Russian Avant-Garde 1915-1932. Ends Aug 31. Daily

Van Gogh Museum Prints by 19th century Japanese artist Yoshitoshi. Ends June 28. Masters from the Mesdag Collection: 60 works from the Hague and Barbizon schools. Ends Aug 19. Daily

Rijksmuseum The Influence of Japan on Dutch Art. Ends July 26. Closed Mon

FLORENCE

Uffizi Florentine drawing at the time of Lorenzo the Magnificent, including works by Filippo Lippi, Leonardo, Michelangelo, Botticelli and other Renaissance artists. Ends July 26

LONDON

Courtauld Institute Drawing in Bologna 1500-1600: an outstanding collection of more than 60 drawings, almost all from private collections and including some recent discoveries. The exhibition includes early work by Bologna's famous Carracci family, as well as less widely known artists such as Orazio Samacchini and Lorenzo Sabatini. Ends Aug 31. Daily

Tate Gallery Richard Hamilton (b1922): more than 100 works spanning the career of the British artist who was one of the founding creators of Pop art. Ends Sep 6. Also Turner and Byron: 70 works exploring Turner's interest in Byron's poetry. Ends Sep 20. William Blake (1757-1827): the apprentice years. Ends Aug 16. David Hockney: Seven Paintings. Ends July 26. Daily

Institute of Contemporary Arts Mike Kelley: installations by one of the most important young American sculptors. Ends July 19. Daily

Royal Academy of Arts Summer Exhibition: the world's largest contemporary art exhibition, drawing together some of the finest examples of work by living artists, including Clemente, Baselitz, Tàpies and Ellsworth Kelly. Ends Aug 16. Daily

Barbican The Celebrated City: Treasures from the Collections of the City of London, including a rich selection of 17th century Dutch paintings. Ends July 19. Daily

Hayward Gallery Magritte. Advance booking on 071-928 8800. Ends Aug 2. Daily

MADRID

Prado Ribera: a major retrospective of paintings and drawings by the early 17th century Spanish artist who settled in Italy. Ends Aug 16

Calcografia Nacional One Hundred Years of Finnish Graphic Art. Ends June 28

Centro de Arte Reina Sofia Pop Art: a survey of the 1950s and 1960s movement popularised by Andy Warhol. Ends Sep 13. Closed Tues

NEW YORK

Museum of Modern Art Louis I Kahn: a large-scale retrospective devoted to the most important American architect since Frank Lloyd Wright. Ends Aug 18. Also Antoni Tàpies (b1923): prints and illustrated books by the celebrated Catalan artist. Ends Aug 9. Closed Wed

The Drawing Center Guercino: an exhibition of 60 drawings on loan from Windsor Castle, one of the highlights of the international celebrations of the artist's 400th anniversary. Ends Aug 1

Metropolitan Museum of Art Korean Ceramics from the Ataka Collection: 114 exquisite works surveying the full flowering of Korea's ceramic tradition from the 10th to 19th centuries. Ends July 12. Also Andrea Mantegna. Ends July 12. Royal Art of Benin. Ends Sep 13. Closed Mon

NICE

Musée d'Art Moderne Dubuffet: 100 prints, paintings, sculptures and drawings, all of which were given by the artist to the Musée des Arts Décoratifs in Paris in 1967. Ends Aug 30

PARIS

Parc de Bagatelle Henry Moore: a major outdoor exhibition consisting of 27 over life-size bronze sculptures, ranging from the 1950s to the last great works of the 1980s, placed in the kind of open-air landscape for which they were intended. Ends Oct 4 (Bois de Bologne)

Galerie Didier Imbert Henry Moore Intime: 500 works which formed the artist's home environment, none previously seen in public. Ends July 24. Closed Sun (19 ave Matignon)

Le Louvre des Antiquaires Les Jardins du Baron Haussmann: documents, plans and engravings showing Paris of the Belle Epoque. Ends Oct 4. Closed Mon (2 place du Palais Royal)

Musée Guimet From the Tagus River to the Chinese Sea: ceramics, porcelains and gold brocade bringing back the magic of Portuguese commercial links with the East Indies from 1513 onwards. Ends Aug 31. Closed Tues (6 place d'Iéna)

Louvre The Eye of the Connoisseur: Homage to Philip Pouncey. An exhibition commemorating the Old Master drawings expert who died in 1990, and including drawings by Correggio, Lorenzo Lotto and others. Ends Sep 7. Closed Tues

Grand Palais The Vikings. Ends July 12. Closed Tues, late opening Wed (ave du General Eisenhower)

Jeu de Paume Hélio Oiticica: a retrospective devoted to the Brazilian artist who died in 1980, and illustrating his fidelity to the theme of the human body and its relationship to space and objects. Ends Aug 23. Closed Mon

ROME

Trajan's Markets Anthony Caro: 38 large-scale works from all stages of the British sculptor's career, displayed in the remarkable context of Imperial Roman architecture. Caro's great rusted steel frieze inspired by Greek pediment sculpture, entitled After Olympia, is placed at the heart of the exhibition in the main hall of the markets, while other works, drawn from an international list of collections, are spread through corridors, terraces and chambers on two levels. Ends Aug 20

ROTTERDAM

Museum Boymans-van Beuningen From Pisanello to Cézanne: more than 100 drawings offer a survey of the museum's own collection and of West European draughtsmanship from 1400 to 1900. Ends July 12. Also Jörg Immendorff (b1945): paintings, many in extremely large formats. Ends Aug 23. Also work by young Dutch glass artists and modern glass from the museum's own collection. Herman Lamers (b1954): large-scale installation. Ends July 26. Closed Mon

STOCKHOLM

Moderna Museet Swedish classics: works from the period 1900-1945, drawn from the permanent collection. Ends Oct 4. Closed Mon

Nationalmuseum Louis Jean Desprez (1743-1804): topographical views, stage decorations and architecture by the French designer who captivated Sweden's Gustav III with his extravagant, fantastic stage sets. Ends Oct 4. Closed Mon

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Friday June 19 1992

Lloyd's and its casualties

THERE ARE two separate issues to examine when considering what Lloyd's of London, the insurance market, should do to cope with the impact of the losses of 1988-90 on some of its members.

First: was there wrongdoing? Did Lloyd's business practices unfairly penalise innocent new members, sucking them into syndicates with a higher than average chance of encountering heavy losses? This is the issue that Sir David Walker, former chairman of the Securities and Investments Board, has been examining; his report is due next month. If Sir David finds that there were systemic weaknesses at Lloyd's which allowed abuses to take place, those members affected will have a strong case for sharing the burden with their fellows. This is a moral issue, turning on questions of natural justice, equity and fairness.

The second issue looks similar, but is in fact different. If there was no wrongdoing, or if it was confined to a limited number of cases, should there nonetheless be a general sharing of pain within the market, to ease the plight of those worst affected by the losses?

Both those who answer yes to this question and those who answer no have made great play with moral issues. Here, though, the strongest arguments have always been coldly commercial. A bail-out was, said its advocates, the only way of digging Lloyd's out from under the blizzard of legal cases that threatened to overwhelm it and its reputation. It was worth every member's while to pay up, to preserve the future of Lloyd's and the income it would generate in years to come.

Commercial reasons

Logically, the question of wrongdoing precedes the question of a general bail-out. Lloyd's has chosen to answer the questions in reverse order. Yesterday, the Lloyd's council announced that it has rejected the arguments for a bail-out. Appropriately, it reached its decision for straightforward commercial reasons. The losses of its worst-hit 2,500 Names are so great that setting aside a fund to compensate them would have gobbled up too much of Lloyd's capital. And anyway, half those Names are no longer members; giving them help would do nothing to strengthen the market's future capacity.

The arithmetic did not add up, so no bail-out. Instead, brokers and managing agents are to be asked to contribute to Lloyd's hardship committee, chaired by Mrs Mary Archer.

Even with extra cash, it cannot work quickly. Of the 1,185 members who have applied to Mrs Archer's committee, only 95 have so far been offered a settlement, and only 39 have accepted. These settlements, says Mr Alan Lord, Lloyd's outgoing chief executive, allow distressed Names to keep their houses till they die, living "not opulently but quite as well as many people you would expect to meet in a small country village".

Rustic bliss

The prospect of rustic bliss will not stop the lawsuits. Lloyd's council must have known that. Its decision against a bail-out scheme represents its best judgment of the balance of commercial advantage, a judgment it is there to make.

That does not exempt it from greeting the Walker report, when it appears, with an appropriate response. If the report points to wrongdoing or negligence, Lloyd's will find itself urged to compensate those members affected with funds drawn from the membership generally.

It would be wrong for the council, in considering this issue, to cite the decision against a general bail-out; instead, the appropriate precedent is Lloyd's contribution out of its members' funds to the settlement of lawsuits over the losses of the Outhwaite syndicate.

As well as dealing with the legacy of past losses, Lloyd's must turn its attention to the future. Here, the most urgent need is to build capital rapidly to maintain market share and offset the withdrawal of disenchanted Names. Yesterday's other decision – to create a "stop-loss" fund that will prevent Names from being wiped out in future – will offer some limited help. But the best hope of an influx of new funds lies in the proposal to admit corporate capital. Lloyd's now believes that this will not require a change in the law; it is talking of introducing corporate capital from the beginning of 1994. Such a change cannot come too soon.

Chips go down in electronics

THIS HAS been a troubling week in Europe's electronics industry. A surprise profits warning from Philips of the Netherlands, which had been recovering from its financial crisis of two years ago, was followed yesterday by confirmation that Siemens of Germany is sharply scaling back its commitment to memory chips, of which it is the leading European-owned producer.

These developments raise fresh doubts about the prospects for European-owned companies in a sector where, despite extensive government support, they have struggled to survive. But their plight needs to be seen in the perspective of recent upheavals, which have also scarred electronics producers in the US and Japan. The problems are more than cyclical: they stem from structural changes in the industry.

The worst mistake EC policymakers could make would be to respond by plying Europe's electronics industry with still further subsidies and trade protection. Excessive reliance on such favours contributed largely to Philips' past difficulties by insulating it from commercial realities. Rather, policy should focus on removing the remaining barriers to free competition in Europe.

The most obvious barrier is the long-standing 14 per cent EC tariff on semiconductor imports. This has failed to encourage a strong home-grown semiconductor industry, while piling unnecessary costs on European chip purchasers. There is also something badly wrong with a European market in which the prices of many computer and consumer electronics products remain far above US levels. The price discrepancy, which penalises every European information technology user, calls for thorough investigation by EC competition authorities.

Changing dynamics

These distortions have been encouraged by myopic European industrial policies which have ignored the changing dynamics of electronics markets. At its most absurd, the approach is summed up in the recent assertion by an industry lobbyist that "without semiconductors, Europe has no industrial future". Rarely has special pleading contained so many half-truths and non sequiturs.

Europe is in no danger of being starved of semiconductors. The world market is awash with the devices, and every boom in demand stimulates costly investments in new capacity. Many are sited in the EC, where US- and Japanese-owned chip plants are proliferating – often generously assisted by local taxpayers. Furthermore, actual chip production accounts for a diminishing share of the margin and value-added in the industry, which must increasingly be sought in the products and systems that use chips.

Commercial success

State-of-the-art component technology remains an important driver of innovation in the whole electronics industry. But its possession is no longer a guarantee of commercial success. At the same time, such success is possible for firms that exploit the fruits of others' technological advances. Speedier technological diffusion and plummeting hardware prices have conspired to erode the innovator's advantage, turning innovations rapidly into commodities.

Only by successfully differentiating final products can companies hope to prosper long-term. That calls for much more emphasis on marketing, a function most electronics producers have largely ignored. Even the once-mighty IBM has been revealed as deficient: until recently, it did not even know the true costs of its sales force. The industry has much to learn from marketing-intensive low-technology businesses, such as soap and cornflakes.

But productive marketing also requires a demanding market. Europe's biggest weakness in electronics is a lack of the demand pull provided in the US and Japan by well-informed customers hungry for new and cost-effective products. The solution is not dirigisme, the mistake EC bureaucrats are making in high definition television (HDTV), by yoking manufacturers and broadcasters into support of probably obsolete home-grown technology. It can only be achieved by making markets operate more efficiently. That is a goal worth pursuing for its own sake. It also offers Europe's electronics industry its best long-term chance of survival.

Bad timing and nervousness about the airline industry scuppered GPA's flotation, say **John Plender** and **Roland Rudd**

The deal that did not fly

Despite the decision in the early hours of Thursday morning to abort the international public offering of shares in GPA Group, Mr Maurice Foley, deputy chairman and group chief executive of the air leasing concern, yesterday put a brave face on it all. The company, he says, has sold $1bn of equity privately over the past five years and does not intend to give up its quest for more. It will simply change its strategy and opt for something less complex than a global issue at the earliest possible opportunity.

Whether it can do so after such a resounding flop seems questionble. This was not, after all, a large offer for any of the individual country markets that GPA had been hoping to tap with the help of some of the world's most impressive investment banks and securities houses. Yet it was dogged, from the outset, by noisy disagreements between GPA and its advisers over timing and pricing.

The first setback came in a private telephone conversation between GPA's founder and chairman, Mr Tony Ryan, and Sir David Scholey, chairman of merchant banker S G Warburg when Mr Ryan was looking for a global co-ordinator. Yet Sir David, while happy to form a relationship with GPA, would not commit himself to a flotation until Warburg knew the company better.

Mr Ryan was disappointed. GPA's financial adviser, Hambro Magan, the specialist merchant bank, had already decided that a flotation was in its best interest. But since Warburg was reluctant to accept that without looking at GPA for themselves, the two went their separate ways.

Mr Ryan was even more upset when Cazenove, Britain's pre-eminent stockbroker in corporate finance, decided against a relationship with GPA. But despite these

'The exchange looked as if it was going to develop into physical confrontation. It was an exhausting end to the whole process'

inauspicious initial rebuffs, top merchant bankers and brokers competed fiercely to act for the company when it invited firms to tender for the key jobs in the offer. Those chosen ultimately included Nomura of Japan as global co-ordinator, Goldman Sachs, Merrill Lynch and Salomon Brothers in the US, Schroders and BZW in the UK, and Nomura and Yamaichi in Japan.

By the end of last year these and other advisers were gearing themselves up for a flotation in the middle of 1992. Yet Maurice Foley yesterday confirmed that the buoyancy of the US stock market earlier this year prompted one its advisers to suggest bringing the issue forwards.

Asked whether GPA should have taken this advice, instead of waiting, by which time the US equity market began to dry up, Mr Foley said: "This is a fair point. You can never be sure of hypothetical circumstances. But in the end we decided to go for a global offering and not one basically limited to the US." This meant going later.

Nor was it the only missed opportunity. On the basis of political intelligence from Nigel (now Lord) Lawson, a non-executive director, who correctly predicted a mid-April UK election, GPA flirted with the idea of a flotation in late March or early April to take advantage of a still buoyant US market. But in the end it decided it was best to wait until the UK election was out of the way. As one of its advisers yesterday suggested, this was the wrong judgment and turned out to compound the original error of not going in January. In the meantime there were acrimonious arguments about pricing. When the group's advisers decided in February that the new ordinary shares should be priced at around $20 to $25, with the emphasis on the lower price, GPA executives immediately insisted on flying the bankers to the group's headquarters in Shannon, Ireland.

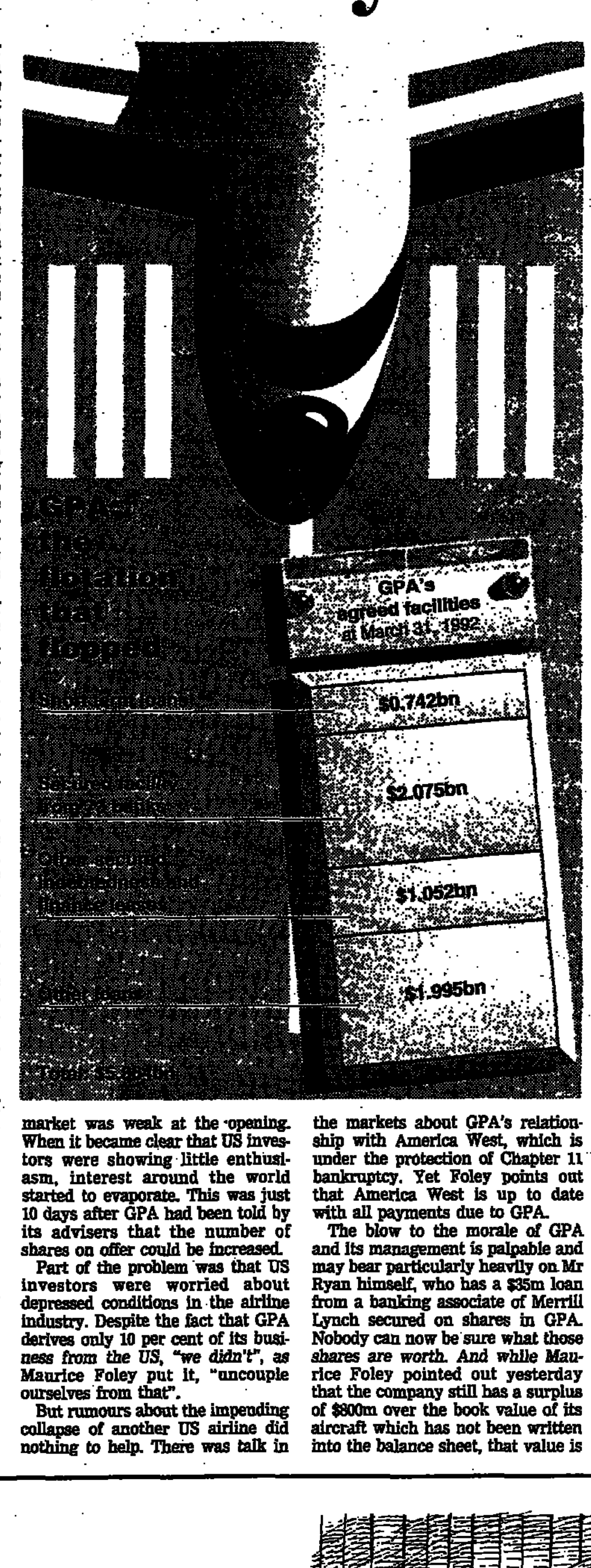
Already irritated, Mr Ryan was reported to be even more angry when he learned that Goldman Sachs was proposing to sell the shares for as little as $17 in order to be sure of placing $500m (£276m) of the stock in the US. One adviser to the group said: "Mr Ryan hit the roof when he heard that. In retrospect I think we should have realised at that time that the group's way of dealing with problems is best suited to a private company."

There were to be further rows, of which the most dramatic took place in the early hours of yesterday. A meeting of GPA's most senior executives and advisers at Nomura's London offices ended in heated argument when Mr John Howland Jackson, Nomura's director co-ordinating the flotation, told Mr Ryan that it would have to be pulled.

Mr Ryan asked him to reconsider and look at other possible options, such as lowering the price and the size of the offer. But when the answer came back as a firm no, there was an angry exchange between Mr Ryan and the advisers. One of GPA's investment bankers present said: "The exchange looked as if it was going to develop into physical confrontation. It was a terrible, exhausting end to the whole process." Few of the advisers present had slept much over the previous four days and nights.

The ostensible reason for pulling the flotation was not that the investment demand was inadequate. Around $500m-worth of shares were bid for. The problem was that the bids were hopelessly unbalanced in terms of geography and type of investor. Out of 50m shares for which bids were received, 23m were in Japan alone. Of these, nearly all were from retail investors; institutional interest was minimal. The equivalent number in the UK was 7.5m, while in the US only 6.5m shares were bid for. The rest of the world put in for 13.3m. The advisers concluded that to float on the basis of such an unbalanced market would not be in GPA's interest.

The rot had set in on Monday, the day before the deadline for share applications, when the US equity



market was weak at the opening. When it became clear that US investors were showing little enthusiasm, interest around the world started to evaporate. This was just 10 days after GPA had been told by its advisers that the number of shares on offer could be increased.

Part of the problem was that US investors were worried about depressed conditions in the airline industry. Despite the fact that GPA derives only 10 per cent of its business from the US, "we didn't", as Maurice Foley put it, "uncouple ourselves from that".

But rumours about the impending collapse of another US airline did nothing to help. There was talk in the markets about GPA's relationship with America West, which is under the protection of Chapter 11 bankruptcy. Yet Foley points out that America West is up to date with all payments due to GPA.

The blow to the morale of GPA and its management is palpable and may bear particularly heavily on Mr Ryan himself, who has a $35m loan from a banking associate of Merrill Lynch secured on shares in GPA. Nobody can now be sure what those shares are worth. And while Maurice Foley pointed out yesterday that the company still has a surplus of $800m over the book value of its aircraft which has not been written into the balance sheet, that value is for the moment intangible. The failure of the flotation deprives GPA of hard cash in the shape of potential offer proceeds of around $600m.

The significance is not so much the risk that borrowing covenants will now be breached – there is still a wide margin in hand – as that GPA will not have the increased borrowing capacity that it would have enjoyed as the result of enlarging its equity base. This is overwhelmingly important since one of the biggest question marks about the company concerns its ability to finance future purchases of aircraft. Some $12bn of firm orders have to be paid for by the end of the present decade.

The company is now busy emphasising that its future financing was never dependent on any single option. It will still aim to raise money in debt markets; and if its credit rating is downgraded, the result, says Foley, will be to raise the cost of finance, but not to limit its volume. Moreover, GPA has shown considerable skill in packaging its aircraft into the form of securities which it then sells to investment institutions. A deal of this kind completed just before the flotation will bring in cash proceeds of between $400m and $450m. Others are being contemplated.

GPA, according to one of the advisers to the issue, is still a good company. There is no reason, he adds, to deduce anything about its value on the basis of a poor market response at a single point in time. While few question the impressiveness of its performance in a dismal period for the air leasing business, it is nonetheless hard to believe that the pulling of the public offer will not be bruising. Or that GPA will not be asking questions about the quality of the advice it received.

Having grown on the back of the great credit boom of the 1980s GPA now accounts for 10 per cent of all new orders from the world's aircraft manufacturers. It shoulders a dis-

While few question the impressiveness of its performance, it is hard to believe that the pulling of the offer will *not be bruising*

proportionate amount of the risk in the industry on a very slender equity base. Against that background it has worried some institutional investors that its accounting policies are not uniformly conservative, notably in relation to depreciation. And after it sells aircraft to investors it is often still at risk because it guarantees to underwrite a minimum level of proceeds on any future sale.

That means that GPA can ill afford to slow down. If it does, it will be obliged to renegotiate orders for new aircraft. The company is confident that it can handle the strain if it comes to that, because the manufacturers have no more desire to deliver planes which do not go into service than GPA has to take delivery on an unprofitable basis. But nor are the manufacturers charitable institutions. They are entitled to take back part of the discount granted on GPA's bulk purchases in the event of cancellation.

GPA has demonstrated its resilience in the past. The question now is whether it can persuade investors that such a complex, highly individual business is really suitable for public flotation at any point in the future.

Joe Rogaly

Major's privatisation of personal choice

Forget about the Labour party. Yesterday's quarrelsome inquest into its election defeat is doubtless of great interest to students of bio-diversity. They may wish to protect even the most suicidally-inclined of endangered species. The rest of us do better to study real events.

One such took place on Tuesday night, when Mr John Major addressed the 15th anniversary dinner of the Adam Smith Institute. The prime minister said next to nothing new, yet his speech was a revelation. It turns out that when he indicated during the April campaign that he would, as he now puts it, "privatise choice", he really meant it. If "privatise choice" puzzles you, hang on a moment. All will be made plain. But first note a second event of political significance. This occurred on Wednesday. The protagonist was Mr Norman Lamont. He was addressing a business gathering in Surrey. "In two or three years," he said, "people will look back and see that it was now, during this critical period, that the right decisions were taken."

Put these speeches together and you have a clear picture of the strategy for British domestic policy over the medium term. The economy will be tightly managed. The discipline of the exchange rate mechanism remains in place. There was no panicky cut in interest rates before the election; in the chancellor's view there is no case for one now. The government's ambition is to halve the inflation rate to 2 per cent or 3 per cent and keep it falling towards zero. This squares with the Treasury's attempts to force public expenditure planning totals for 1993-94 down below the levels agreed in the pre-election round.

So far, so predictable. Election bribes are there to be taken back when you have won. That established, we can return to "privatising choice". Mr Major's explanation of this intriguing phrase is that "where once socialism nationalised or municipalised personal choice, taking it away from the individual and the family, we will give choice back to them and extend it further". This, he told the institute, is "the greatest and most far-reaching" privatisation, and "the one to which I am most committed". As I see it,

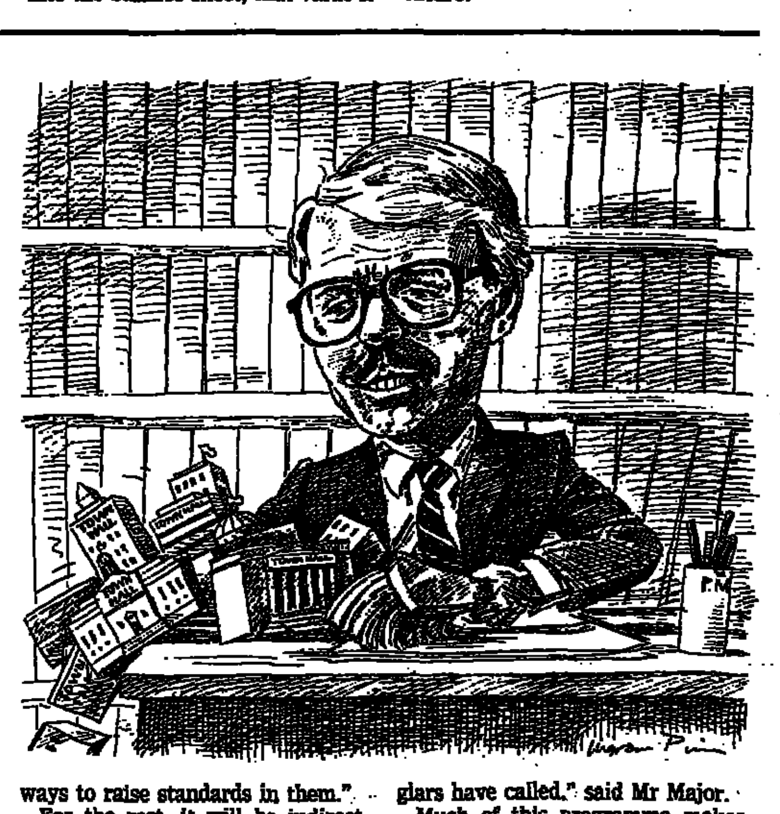
At home, Major is selling an improved version of Thatcher's conglomerate, United Kingdom plc

three consequences follow. The public services will be turned upside-down. Local government will be further diminished. And there will be no extra money to ease this revolution through.

Take central government first. The Citizen's Charter is not welcomed by the Civil Service, but No 10 Downing Street is determined to promote it. It is holding another seminar on the subject. I assume that they will be wearing their lapel-badges. Contracting-out of services, a success in local government, will be attempted in central departments and agencies. This must be about as popular with officials as a 10-year stretch in Canary Wharf. The mandarins intensely dislike open government, but an attempt will be made to weed secrecy clauses out of many existing laws. Do not hope for too much. Government self-regulation of what should and should not be secret is never to be trusted.

There are few contemporary headlines in all this, but the net effect could be dramatic. The structure of Britain's central administration in 2000 might be unrecognisable to anyone who last saw it in, say, 1980. Those who look for local government around millennium-time may need a magnifying glass. The great town hall barons of the 1970s, with their direct labour forces, council-house fiefdoms, and monopolies over state education services will have been swept away. The local government commission will doubtless reduce the number of local authorities. Mrs Margaret Thatcher started the process of rescuing council tenants from local authority control; Mr Major is clearly determined to complete the job.

Most strikingly, the education service is being taken away from locally-elected bodies. This is apparently not centralisation. "No bureaucrat decides whether a school should apply to become grant-maintained," says Mr Major. "It is the governors and parents." Yet control over local governance follows the money to pay for it; seven-eighths of council revenue from taxation is now received in the form of cheques from Whitehall. When it comes to sink schools, Mr Major intimated on Tuesday, control will be direct. "If the governors or the local authority are unwilling or unable to put things right, then we must find



ways to raise standards in them."

For the rest, it will be indirect. The universities, polytechnics and sixth-form colleges already have their own appointed "funding councils"; a similar non-elected intermediary body for the country's 4,900 secondary schools cannot be far behind. This will surely require a fresh corps of administrators. Even Mr Major's government is wary of taking on the country's 24,000 primary schools, although it seems to think that by allowing groups of them to become self-governing it can keep the new intermediary bureaucracy to a minimum.

There is more. "The inspection of key public services ... will be ... independent of the services they inspect," said the prime minister. Schools are being given a new free-range inspectorate; social work departments will likewise be audited by outsiders. Throw in a couple of new organograms there. Add just one more for the better management (with no extra money) of the police. "There should be a policeman passing your door regularly, and not just when the burglars have called," said Mr Major.

Much of this programme makes sense. It is also likely to be popular. Concentrating on individuals and their needs is the spirit of the age. It may even be applied to pensions policy. Here the Tory inclination is to fund-members' rights of ownership to the funds to which they contribute. Mr Robert Maxwell's thievery give a political force to such a strategy.

Yet something is missing from the whole picture, and here I do not mean cash. What is to be the role of local democracy? Are people always to be mere customers, except once in four or five years at general elections? Mr Major is saying that Whitehall knows best. Local councils may merely manage the collection of rubbish, town planning, and old people's homes. In Europe he bangs the drum for subsidiarity. At home, he is selling an improved version of Mrs Thatcher's conglomerate, United Kingdom plc. Its board is packed with Conservative ministers. Shed no tears for them. They will keep their jobs – as long as they please the customers.

Winds of reform blow in from a prosperous coast

Chinese provinces are hungry for a market economy, but there is a risk of overheating, writes Alexander Nicoll

Last month Mr Yu Zhaoyong took a group of factory managers and businessmen from Changsha, capital of Hunan province, to Shenzhen special economic zone in the south of China. Their purpose was to study the zone's stock exchange, where rocketing prices are attracting money and attention from all over the country. Changsha wants one too.

Mr Yu views the pronouncements of Mr Deng Xiaoping, the country's paramount leader and champion of economic reform, as "like a spring wind blowing all over China". As director of Hunan's commission for economic structural reform, Mr Yu is a chief architect of the development of the primarily agricultural inland province. He plans to attack its inefficient state-owned industries and, like his counterparts in many other provinces, sees the introduction of share ownership as a central element of his strategy.

Structural problems – including unproductive state industries and controlled prices – still dog China's economy, even though Mr Deng's "open door" reforms have been under way since 1978. But the extraordinary growth of the coastal southern provinces is well-known to all Chinese.

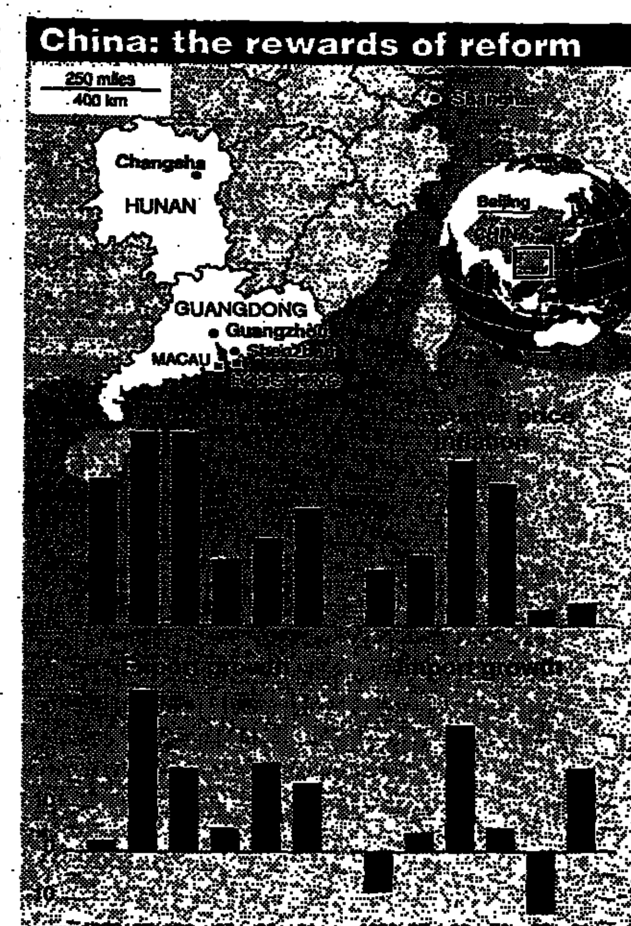
Mr Deng's new drive has unleashed a competitive frenzy among provinces and cities which want to match the prosperity of the south. They are pushing ahead with ambitious plans to boost industry, introduce market reforms and attract investment.

"If you cannot make big strides, you will be left behind by the others," says Mr Chen Binfan, vice-governor of Hunan province.

Beijing is being deluged with applications for special exemptions similar to those of the special economic zones, which have seen the fastest growth, and for approval of plans to set up stock exchanges and other markets. It is viewing them with caution.

While the provinces' desire to slough off the restraints of the centrally planned economy is understandable, it risks quickly creating the same inflationary pressures that occurred twice in the 1980s. Consumer prices were rising at nearly 20 per cent a year by 1988, when the government put the brakes on the economy. The increase in 1990 was only 2 per cent, but this year's is expected to be 7 per cent.

Professor He Jianzhang, director of the institute of economics at the Chinese Academy of Social Sciences, agrees. "It is difficult to solve the issue of overheating now that the emphasis is on provinces formulating their own policies."



The tendency to overheat has been recognised by the authorities. Mr Li Guixian, governor of the People's Bank of China, the central bank, said in London yesterday that he had acted to tighten credit after the economy grew at an 11 per cent annual rate in the first quarter, with industrial production growing at 18 per cent. He said this would not halt the economy's advance, but that he would fine-tune monetary policy in order to maintain economic growth of 8 to 9 per cent.

The view in Beijing is that some provinces will have to scale down their expectations. While coastal provinces such as Guangdong can raise their already rapid growth rates, Prof He warns: "Some inland provinces and remote areas, because they lack infrastructure and transport and energy resources, cannot indiscriminately speed up their economic development."

It is easy to see why the south's rapid growth inspires emulation. During the 1980s, the value of industrial production in Guangdong, the most prosperous province, grew by an average 20 per cent a year at constant prices. Last year, it grew by 27 per cent, with per capita income rising by 25 per cent. Growth this year could be even higher, and provincial authorities are rewriting the 1991-95 five-year plan to accommodate higher growth targets.

Most of the growth stems from foreign investment in joint manufacturing ventures and is concentrated in the Pearl River Delta, where the economy is rapidly integrating with that of Hong Kong.

Fledgling markets have seen soaring prices, volatility, overstrained systems and violence

But even in Guangdong, there remain chronic problems. In spite of the growth of the private sector, state-owned enterprises still account for 44 per cent of industrial output in Guangdong, and 30 per cent of these are loss-making.

The figures for other provinces are higher. The difficulties span the spectrum of industry, from coal, power and machinery to consumer durables. Factories still churn out unmarketable products.

Central and provincial governments have tried various means to turn them around, chiefly "contract responsibility", designed to separate ownership from management. Enterprises take responsibility for their finances and may plough above-target profits back into their businesses.

But who takes responsibility for losses? China's bankruptcy law has been little used. For many state enterprises, however well run, it is impossible to make a profit without the freeing of officially fixed prices, a process which even optimists in the government admit will take many years.

Moreover, each reform triggers the need for a series of further steps. Making industries more efficient, for example, involves making new arrangements for surplus workers, who are housed, fed and cared for by their employers. But efforts to create an alternative social security system are still nascent.

Facing these huge obstacles, officials all over China have lighted upon employee share ownership schemes as one way to revitalise state industries.

In Guangdong, eight profitable state-owned companies, ranging from a huge electronic fan maker to a manufacturer of monosodium glutamate, have been chosen for an experiment. Thirty per cent of each is being sold to employees for a nominal price. In theory the shares cannot be sold for a year, but officials seem undisturbed that employees might sell after only a month or two and that unofficial prices are developing.

Officials are attracted by the Chinese propensity to save. They reason that if savings could be mobilised, they would provide investment funds and help to revitalise industries. Share-owning employees would also have a greater incentive to perform, they believe.

However, Beijing is cautious about allowing more stock exchanges. The fledgling markets in Shanghai and Shenzhen have seen soaring prices, volatility, overstrained systems and violence, with investors pouring money in because few other worthwhile investments are available. Nevertheless, Mr Fan Hengshan, senior economist in the central government's economic restructuring commission, says: "We think that most state enterprises can be transferred to the shareholding system."

The 300 employees of the Changsha Municipal Musical Instrument Factory would no doubt agree. Their profits have risen 20 per cent a year since they were allotted shares three years ago, and they have been earning dividends. The company has expanded from violins, gongs and drums into cooking utensils.

The enthusiasm for shares is, however, symbolic of the erratic pace of China's development. The planners risk treating share ownership as a panacea, while continuing to put off more fundamental reform.

OBSERVER

When teacher knows best

■ Richard von Weizsäcker, the German president, has stirred up a storm in Bonn with his new book which fiercely criticises the quality of the country's political leadership. So who does run Germany today?

One group whose influence certainly has not waned is the august body of German economics professors.

Sixty members of this fraternity discomfited the government only last week by signing a petition against European monetary union.

Theo Waigel, the finance minister, staunchly backed by the chief economists of the big three German banks, did his best to counter the academics' criticisms. But, if history is anything to go by, it seems likely that the professors' views will prevail.

The last time that the economics profession caused a similar flurry was in 1969, when 100 economics professors signed a public statement condemning the government's refusal to revalue the Deutschmark.

The episode was one of the contributory factors behind the breakdown of the Grand Coalition government led by Kurt Georg Kiesinger. Five months later, the professors won the day when the Bonn government – a Social Democrat administration under Chancellor Willy Brandt, following Kiesinger's ignominious autumn departure – decided the second revaluation of the D-Mark since the war.

German professors are long-lived animals. So, for conspiracy theorists at least, it is worth pointing out that the latest professorial broadside was supported by several who also signed the 1969 petition – including, notably, the redoubtable Herbert Giersch, the former head of the Kiel economic institute.

Abstract verb

■ Why is it that most of us would "extract" water but the National Rivers Authority warns about excessive "abstraction"?

Of the industry's several contradictory explanations, the one that makes the most sense is that "extraction" is permanent while "abstraction" implies that the water eventually will be returned to the river.

Observer suspects that, unlike the hapless River Darent, this one may run and run.

All aboard

■ How long should a non-executive director sit on the board of a major company?

Sir John Hoskyns, who has almost finished revamping his Burton board, says that three years is "absurdly short" while five to seven years, is "optimum". After that there is a danger that a director loses his impartiality by getting too close to the company.

Since Sir John took over the Burton chair in November 1990 he has behaved like a model corporate citizen. The management team has been completely overhauled, the finances have been stabilised – thanks to last year's rights issue – and he has recruited an impressive array of non-executive directors.

Yesterday, Whitbread's Peter Jarvis, and Caroline Marland, deputy managing director of The Guardian, were added to a list of non-execs which includes Bats' Brian Garraway and John Brown, an old property hand.

"Beer tent... beer tent...

Not only is their arrival another sign that Burton is over the worst but it means that whatever else the company lacks it will not be short of expert advice. But the presence of the new faces is yet another reminder that Mark Littman and Ladislas Rice, the last of the old Burton non-executive guard, have long since passed their sell-by date.

Flight of fancy

■ Prudential has long been running commercials on how Britain's wives long to be free – and it is easy now to see why. An NOP survey released by the Pru yesterday revealed that only 53 per cent of British women would stay with their husbands if they had the choice of a Continental man instead.

They viewed Italian men as the hottest prospects – 11 per cent of the women would prefer one. The French came second with 6 per cent, while Greeks, Spaniards and Dutchmen tied at two points lower. Danes, whether or not boosted by their macho treatment of Maastricht, were preferred by 3 per cent.

Europe's least desirable men in the she-Brits' eyes were Germans, Luxembourgeois and Portuguese. But as they tied at 1 per cent apiece, they have the consolation of knowing that someone, at least, loves them.

Still at sea

■ The Salvage Association sounds an appropriate sort of resting place for those discarded on the political scrapheap. So John Butcher, who produced a crushing defeat for the Conservatives when standing against Shirley Williams in the 1981 Crosby by-election, and who has just arrived as the Association's chief accountant, should fit in well enough.

In fact, the salvage with which Butcher will be concerned is not personal, but rather marine in nature – the organisation being in the business of handing out technical advice to the London insurance market about marine claims.

Butcher's connection with the sea? "I can't comment on that, my role is to look after finance; my colleagues don't expect me to know about safety at sea," says the Royal Navy Reserve Volunteer of ten years' standing.

Feeling better?

■ "All staff are requested to ensure that their bodies are maintained in such a way that is conducive to a healthier, wealthier and happier being. Please remember that excessive sick leave will be reflected in September bonuses and subsequent annual salary reviews."

Nikko Capital Management (UK), in its latest memorandum to staff.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Telecoms in need of a different structure

From Mr J M Harper.

Sir, Your leader "Time to review the regulators" (June 10) was right for telecoms in many respects, although it missed one point. The regime and the work of Oftel undoubtedly need review. Sir Bryan Carsberg is much respected in the industry. But could it really be correct for him as the new director-general of fair trading to review his past actions as director general of telecommunications?

Oftel's accountability to parliament certainly needs strengthening. The House of Lords does not at present have a role in these matters. It has a unique collection of public figures with experience between them both of running and of overseeing the big utilities. They could play a valuable part in improved machinery of oversight.

But this will not be enough. Telecoms has a special problem. Unlike that of electricity, BT's structure was left unaltered at privatisation. It is so big that it overshadows its competition; and as a private sector near-monopoly it presents government with even greater difficulties of oversight than its public sector predecessor.

This is the heart of the matter. Last July you advocated change in structure for telecoms. You were right.

J M Harper,
11 Lullington Close,
Seaford, East Sussex BN25 4JH

Costs that influence central banks' mood for Maastricht

From Mr Robert Pringle.

Sir, There is evidence to support Observer's suspicion ("Banker's cutback", June 17) that some EC central banks are "expensive"; or at least that their running costs vary widely. Using data from annual reports and information supplied by the central banks, Central Banking puts the operating expenses of five EC banks in 1990 as follows: Bundesbank DM2bn ($1.35bn); Bank of Italy L1,510 bn ($1.34bn); Bank of France FFr6.52bn ($1.28bn); Bank of England £170m ($294m); Netherlands Bank Fl 227m ($120m). Where possible these figures exclude the cost of printing bank notes.

There are obviously historical reasons for these variations: staff numbers vary widely, from over 16,000 in the case of the Bundesbank and Bank of France to 1,500 in the Netherlands Bank, as do the functions performed by the banks. Nevertheless, central bankers are well aware that their costs will come under closer scrutiny as they travel down the road to Emu, which is one reason why some of them are less than enthusiastic about the Maastricht Treaty.

Robert Pringle,
editor,
Central Banking,
53 Clarewood Court,
Crawford Street, London W1

Alternative view of Mexico

From Mr Christopher Whalen.

Sir, Edward Mortimer's article (Foreign Affairs, June 10) about Mexico contains useful insights, but shows how journalists are frequently charmed by attractively adorned dictators.

The National Solidarity Program did not spring from Salinas' work at Harvard, but out of political necessity. The job of stealing an election, for example, is made easier if only a quarter or even half the precincts require rigging. In contrast to massive, pre-election social spending programmes of the 1960s and 1970s, *Pronasol* is a rifle-shot approach to acquiring political support, but one with neither transparency nor public accountability for the sources and uses of funds spent.

The PRI uses Solidarity to funnel hundreds of millions of dollars into public works projects in opposition strongholds, buying votes from otherwise recalcitrant citizens. Mortimer paints an image of Mexicans thanking El Presidente for his generosity, a surreal scene reminiscent of feudal times.

Mortimer rightly observes there is no effective political opposition in Mexico (at the moment, at least). But he fails to note that the vast political and financial advantages made possible by Washington's support, and the related access to foreign credit, make discussion of effective political opposition to single party PRI rule an absurdity.

Mortimer criticises the limited role played by the press, but might rather have said that honest Mexican journalists live with very real danger. Indeed, consider the privileged foreign journalists: First, the visiting scribe, like Mortimer, attends a carefully orchestrated political rally and rides comfortably in the presidential jet. The result: a filtered, pasteurised look at Mexico, though thankfully Mortimer does mention the violent deaths of journalists.

Then there are the local correspondents, the insiders, who know the realities and players in Mexico City very well indeed, but decline to write about difficult subjects like fraudulent elections, trade deficits, drugs, or corruption within the privatisation process, for fear of being excluded from the next drinks party in fashionable *Polanco*.

Dictatorships like China, Mexico and Kuwait will disappear only when journalists stop treating them with undue reverence. If we could but pierce the carefully maintained façade of *Salinastroika* with well chosen words, Mexico's people might feel our moral support, as did the peoples of eastern Europe, and thereby discover the will necessary to create a truly viable democracy. Viva Zapata!

Christopher Whalen,
editor,
The Mexico Report,
1717 K Street NW,
Suite 700,
Washington DC 20006

More academic specialists needed for antiques fair vetting

From Mr A Kenneth Snowman.

Sir, I also was saddened by the headline "United front falls apart" (June 13) on an otherwise completely just report from Susan Moore – the fair at Grosvenor House is doing well, looks very good and is certainly not falling apart.

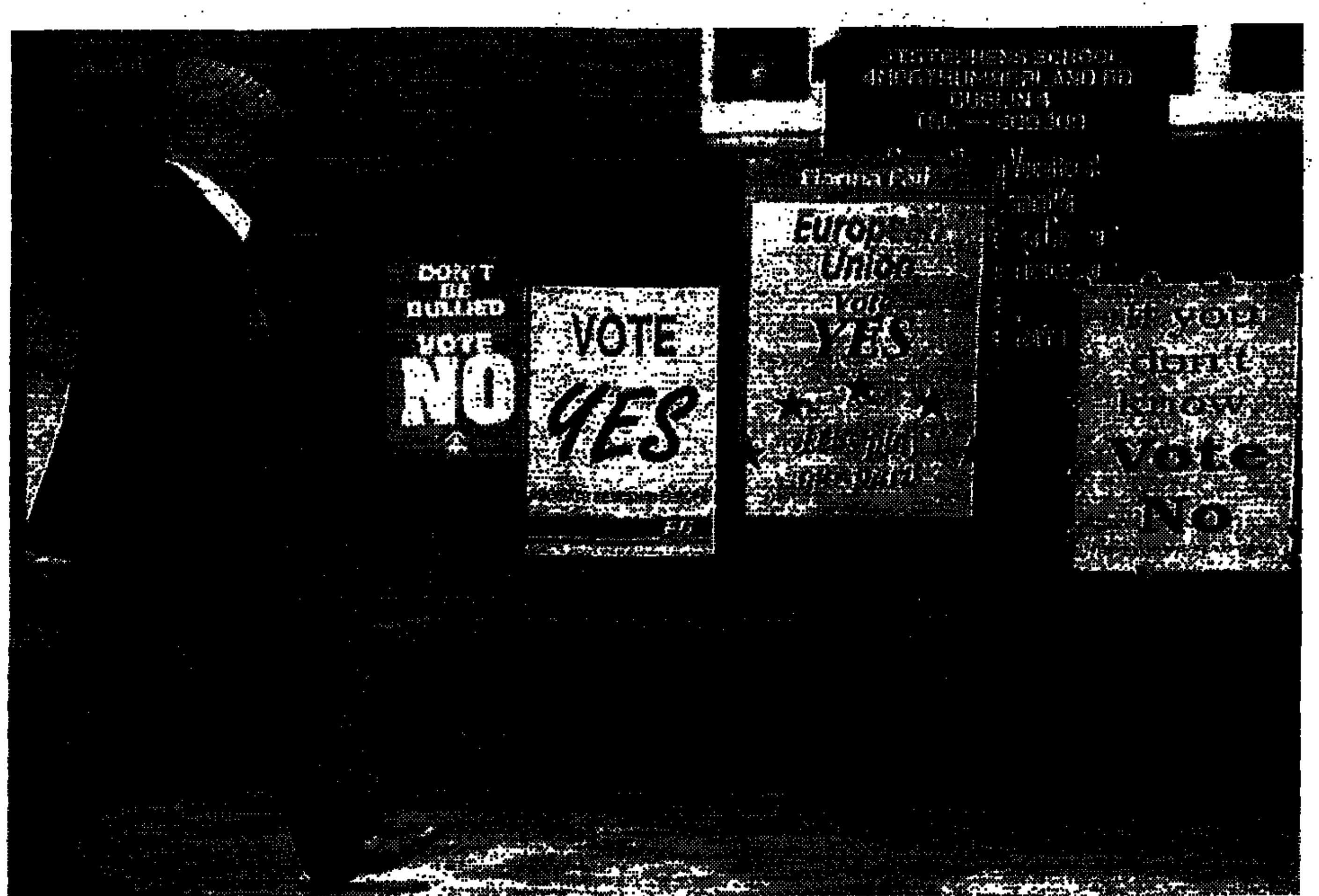
The president and members of the executive of the Grosvenor House Antiques Fair (Letters, June 15) are well aware of my own feelings about the appeal which reversed the earlier ludicrous rejection by the vetting committee since I wrote to them on June 14 as follows: "As we knew would be the case, you conducted our appeal in the matter of the Burgundian Jewel in an entirely exemplary way and this was in the best tradition of the association."

That, however, is not what it is all about. What I and my colleagues were not pleased about was the wholesale rejection this year of – again I quote – "so many perfectly good objects from our stand (dramatically more than ever before in our long experience) many of which had been exhibited during previous years... I feel it is essential that many more academic and disinterested specialists be brought in as we have been suggesting by letter for the last three years".

I am happy to say that this policy is now being pursued and I hope, as a former president of both the British Antique Dealers' Association and The Antique Dealers' Fair, that it gains momentum, and that the judgment of the vetting committees will in the future be beyond reproach for the benefit of everyone.

A Kenneth Snowman,
chairman,
Wartski,
14 Grafton Street, London W1

FINANCIAL TIMES
Friday June 19 1992



No shortage of advice for a Dublin voter as Ireland went to the polls for a referendum on the Maastricht treaty yesterday

Referendum will decide future of European political and monetary union

Irish vote on Maastricht treaty

By Tim Coone in Dublin

THE FUTURE of the Maastricht treaty on European union could be clearer today after the results of the Irish Republic's referendum on the treaty are announced around midday.

If the referendum produces a "yes" majority, however slim, then the treaty lives on, at least for a while. But if the Irish follow the Danes in rejecting Maastricht even by a few thousand votes, the pact for political and monetary union will die, at least in its present form.

Good weather and a religious holiday yesterday appear to have favoured a better than average turnout of voters. An estimated 50-55 per cent of the 2.5m voters were thought to have gone to the polls, though that would fall well short of the record 71 per cent turnout in 1972 when Ireland voted overwhelmingly to join the EC.

A steady flow of voters appeared at polling stations during the morning, many of them coming straight from Mass. There was a 44 per cent turnout in the last referendum in 1987, which was called to ratify the Single European Act and which was passed by a 70:30 margin.

It is thought that a high turnout will favour a "yes" vote. Opinion polls have predicted a two-to-one majority in favour, although the high level of undecided voters on the eve of polling day added a strong element of uncertainty to predictions over the likely outcome.

Fears of a possible last-minute move by the Catholic Church to recommend a "no" vote from the pulpit appear to have been unfounded.

The government made a final push to persuade voters in favour of the treaty. The entire cabinet and senior officials from the ruling Fianna fail party were out canvassing at polling stations around the country.

However, leaders of the National Platform, which has been campaigning for a "no" vote, claimed the main political parties were unable to mobilise their rank-and-file.

A "no" vote would not only kill the Maastricht Treaty in its present form, but it could also bring into question the political future of Mr Albert Reynolds, the Irish prime minister. He has campaigned vociferously for a "yes" vote, but has also faced intense criticism from his allies for what has generally been perceived as a lacklustre and badly organised campaign by the government and Fianna Fail party in favour of the Treaty.

Irish mist descends, Page 2

Delors fears 'stagnation and crisis'

By Ian Davidson in Paris

THERE will be "stagnation and crisis" if the Maastricht treaty on European union is not ratified, Mr Jacques Delors, president of the European Commission, warned yesterday.

He predicted the Community would then turn into a free trade area. "At the smallest confrontation between member states, there would be a new crisis, until in the end the free trade area itself would disappear," he said in an interview with Figaro newspaper.

Asked about the implications if the treaty were to be defeated in the French referendum, Mr Delors said: "There would be a general panic, because France has made its mark on the construction of Europe ever since the beginning. And as far as I am concerned, the dream would have been shattered."

Mr Delors acknowledged that he and the Commission had both come in for criticism. "I am contested, that is true, but so much the better," he said. "It proves that I am not an antiseptic and immovable bureaucrat behind his desk," he said.

But he parried the implication that the Commission was to blame for the current crisis in the Community. "The Commission is under scrutiny, but it is not alone; there is also the council of ministers, the European parliament and the national governments."

The main threat facing the Community, he said, was the feeble quality of democracy in the member states. The Maastricht treaty was intended to provide a remedy for some of the democratic deficiency in the Community, with a stronger role for the European Parliament. "As for the rest of the democratic deficit," he said, "that is the internal affair of each member state..."

● A narrow majority among the 17 European commissioners has come out in favour of letting a small number of European Free Trade Association countries into the Community, without any further institutional changes beyond those already contained in the Maastricht treaty, writes David Buchan in Brussels.

This view, emerging from a confidential Commission discussion on Wednesday, will be relayed to tomorrow's meeting of EC foreign ministers, called to prepare next week's Lisbon summit where future enlargement of the Community will be discussed.

The surge in anti-Maastricht opinion has changed the Commission's prevailing sentiment, which had been that changes such as more majority voting – beyond that enshrined in the Maastricht pact – would be needed for a more numerous Community to function. The predominant Brussels view is now that for three or four Efta states to join the EC in the 1990s, would require only technical adjustment to the number of commissioners and MEPs.

Major's determination, Page 6

Chinese central bank tightens credit to slow economic growth

By Alexander Nicoll, Asia Editor, in London

CHINA'S central bank has acted to tighten credit in an attempt to prevent the economy from overheating as a result of rapid growth, its governor said yesterday.

Mr Li Guixian, governor of the People's Bank of China, said during a visit to London that the economy had been growing at an annual rate of 11 per cent during the first quarter of 1992.

Industrial production in China was up by 18 per cent, and imports rose by 23.5 per cent, while exports were up only by 12.5 per cent.

The People's Bank has imposed special reserve requirements on banks – increasing the proportion of their deposits which they must lodge with the central bank – and tightened credit ceilings.

Mr Li said it was considering increasing interest rates, but would not make a final decision for two or three months.

China's economy has gone though a series of boom-bust cycles in the past decade. The most recent retrenchment was relaxed last year, and economic growth was boosted in January when Mr Deng Xiaoping, the country's paramount leader, exhorted the nation to undertake more radical reform.

Asked if the latest measures would cause another drop in economic growth, Mr Li said: "I do not think that we will have another similar slump as in earlier years because we have learned from experience. Now we are mainly relying on monetary policy to maintain GNP growth at 8 to 9 per cent."

His actions may indicate official fears that inflation is running at a higher level than figures suggest. First quarter statistics show inflation of 5 per cent, compared with last year's 3 per cent. However, economists believe that in some areas inflation is significantly above the official figure.

Mr Li said he would take measures to tighten credit if inflation was above 10 per cent, and to loosen it if inflation fell below 5 per cent.

"I am very confident that inflation this year will be under control at 6 to 7 per cent because our monetary policy is effective," he said.

The government was continuing with reforms of banks and state-owned industries, Mr Li said, such that loans would be made only to profitable enterprises making marketable, high quality products.

However, he admitted that the bankruptcy law had not been applied because there was no social security system to cope with unemployment.

"No effort is being spared to improve the social security system," Mr Li said. "Once it has been fully established, the bankruptcy law will be fully and strictly implemented."

Winds of reform, Page 15

Maxwell's sons charged

Continued from Page 1

start for at least two years.

Mr Kevin Maxwell was bailed on sureties of £500,000, Mr Ian Maxwell on sureties of £250,000 and Mr Trachtenberg on sureties of £300,000. Sureties were provided by friends and family. All three were ordered to surrender their passports, not to leave the UK and to live at home.

After the hearing Mr Kevin Maxwell said:

"After seven months of trial by rumour, of trial by innuendo, of trial by selective press leaks and of prejudicial media reporting, I am really looking forward to being able to defend myself in a court of law where I intend to vigorously and strenuously contest all... charges against me."

The arrest of Mr Kevin Maxwell began in something close to farce. His wife Pandora mistook police for reporters, and shouted to the officers: "Piss off – we don't get up for another hour." When officers rang the bell again she called out: "I'm about to call the police." They replied: "We are the police, madam."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	15	59	Frankfurt	F	20	68	Majorca	S	26	79	Oporto	S	21	70	Tenerife	S	23	73
				Brussels	F	14	57	Geneva	S	22	72	Malaga	S	28	82	Oslo	F	19	66	Tokyo	R	17	63
				Budapest	S	22	72	Gibraltar	S	23	73	Malta	F	23	73	Paris	S	18	64	Toronto †	F	19	66
Ajaccio	T	21	70	Buenos Aires	F	21	70	Glasgow	S	17	63	Manila	C	35	95	Prague	S	22	72	Tunis	C	27	81
Algiers	S	25	77	Cairo	S	37	99	Helsinki	R	13	55	Melbourne	C	13	55	Reykjavik	S	13	55	Valencia	S	27	81
Amsterdam	F	15	59	Cape Town	C	14	57	Hong Kong		–	–	Mexico City	C	26	79	Rhodes	S	25	77	Venice	S	25	77
Athens	F	26	79	Caracas	C	28	82	Innsbruck	S	22	72	Miami †	S	26	79	Rio d'Janeiro	C	27	81	Vienna	F	21	70
Bahrain	S	34	93	Casablanca †	F	22	72	Inverness	F	15	59	Milan	S	25	77	Rome	F	23	73	Warsaw	S	21	70
Bangkok	C	35	95	Chicago †	C	20	68	Islamabad	F	42	108	Montreal †	S	20	68	Salzburg	S	21	70	Washington †	S	20	68
Barcelona	F	21	70	Cologne	F	16	61	Istanbul	F	22	72	Moscow	F	17	63	S'Francisco †	C	13	55	Zurich	F	22	72
Beijing	S	32	90	Copenhagen	C	16	61	Jakarta	C	33	91	Munich	F	21	70	Seoul	F	25	77				
Beirut	S	25	77	Corfu	F	22	72	Johannesburg	S	18	64	Nairobi	C	21	70	Singapore		–	–				
Belfast	S	16	61	Dallas †	S	26	79	Lisbon	S	23	73	Naples	T	23	73	Stockholm	F	18	64				
Belgrade	C	20	68	Dublin	F	16	61	London	C	18	64	Nassau	C	26	79	Strasbourg	F	24	75				
Berlin	F	22	72	Dubrovnik		–	–	Los Angeles †	S	15	59	New Delhi		–	–	Sydney	F	14	57				
Biarritz	C	20	68	Edinburgh	S	15	59	Luxembourg	S	17	63	New York †	S	19	66	Taipei	R	28	82				
Bombay	F	32	90	Faro	F	21	70	Madeira	C	20	68	Nice	S	25	77	Tangier	F	23	73				
Bordeaux	S	24	75	Florence	F	26	79	Madrid	F	23	73	Nicosia	S	25	77	Tel Aviv	S	32	90				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

THE LEX COLUMN

Grounded at GPA

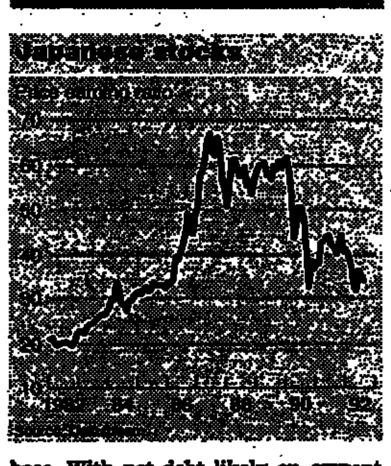
Yesterday's spectacular GPA flop should not necessarily add to the London market's current woes. It is naturally unsettling when a much hyped $1bn share offer – recently increased to accommodate supposed extra international demand – is unexpectedly pulled at the eleventh hour. Yet there is good reason to believe that the ultimate lack of investor interest was due to specific handicaps of the company, rather than to deeper disenchantment with flotations at this stage in the cycle. Wellcome for one will certainly hope so.

GPA always faced an uphill struggle given the dire state of the airline industry, intense price competition in the US, and persistent rumours of more airline bankruptcies. The combination of its indebtedness and huge aircraft purchase commitments led many to suspect they were being asked to contribute to a rescue issue, while even sophisticated institutions had trouble grasping the intricacies of the airline leasing business. With GPA lacking a clear home market, there were no compelling reasons to subscribe given the risks.

One inevitable question for GPA's galaxy of advisers is whether it was a mistake to use the book building system much favoured in the US, rather than to have the issue properly underwritten (in which case at least the company would have got its money). The reality is that there was probably no alternative – all indications are that the institutions would have been reluctant to sub-underwrite, and that the costs of using other intermediaries would have been unacceptably high. The real culprit seems to have been the inflexible structure of the global offering. Far from inspiring creative tension between the three main markets, it allowed lack of interest in one to spread to the others. No single financial centre was able to anchor the issue.

Egg has been liberally splattered across City faces: Nomura's international ambitions have been dented; Schroders can hardly be proud of belatedly wooing the retail investor; and Goldmans will have some explaining to do about the disastrous response in the US, where expectations look to have been far too high. For GPA, however, the problem is more than just a tarnished reputation. The company has not only been denied the proceeds of the float, but perhaps another $2bn-$3bn of bank borrowings to which it would have had access with an enlarged capital

FT-SE Index: 2562.7 (-35.7)



base. With net debt likely on current cash flow forecasts to exceed committed facilities by the end of the year, fervent efforts will presumably be made to securitise more of its assets. Ultimately, though, GPA may hope to find a partner with deep pockets as ILFC did when it was taken over in 1990 by the American insurer AIG. The question is whether there are any takers these days.

Japan

The latest slump in the Tokyo equity market is viewed locally with a kind of gloomy fatalism. Traditionally, the story goes, it has been the job of foreign investors, with their more rational valuation methods, to call the bottom of the market. Last year they did just that. But domestic investors failed to follow the lead, so the foreigners have lost heart and there are thus no buyers left at all.

The more apocalyptic talk about collapsing bank capital ratios leading to a credit crunch has largely died down. However far the Nikkei falls, the system will doubtless limp along. But there is still profound gloom about corporate earnings. It is in the nature of the Japanese economy that recovery should be led by producers – or government – rather than consumers. When it comes to investing out of recession, Japanese companies are hampered not only by the higher cost of capital but by their prodigal over-investment in the bubble years of the late 1980s. At that time, companies bought market share regardless of profit and investors bought stock for capital gain regardless of income. Now, corporate executives talk earnestly of the need for adequate return on capital and institutions are restive for higher payouts. But, as one of Japan's biggest fund managers remarked yesterday, if the corporate sector's return on equity is only 5-6 per cent and the medium-term outlook for dividend growth is 5-6 per cent as well, who would want to buy the market on nearly 40 times earnings?

Severn Trent

Yesterday's annual results leave no doubt Severn Trent paid too much for Biffa, the waste management company it bought from BET after the start of the last financial year. Thanks to the recession, Biffa contributed a disappointing £11m, against financing costs of more than £20m. Barring a vigorous economic recovery, it will make only around £15m this year. So it is still a long way from covering its costs.

Granted, Severn Trent has been sensibly cautious in accounting for the acquisition. Biffa's landfill business in particular looks to have fine scope for growth. By mid-decade, the division should be making the steady unregulated earnings for which it was purchased. The question is whether it will be worth the wait. Severn's annual dividend was increased by 10 per cent, thanks in part to £4.5m of efficiency gains, but the company's earnings will be under pressure this year as a combination of interest and depreciation charges begins to bite.

Small wonder, then, that the company is stressing its record in the regulated water business. The group invested nearly £600m last year, and claims the lowest average water charges in the country, even though its franchise covers a relatively dry region. Its capital spending programme has already peaked. Severn Trent can keep its dividend running ahead by sacrificing high cover, but that is hardly an inspiring outlook.

TV companies

Yesterday's agreed offer by Yorkshire for Tyne Tees comes as little surprise. After all, both companies paid through the nose for their TV franchises last autumn, and desperately need cost savings to enhance shareholder returns. The comparison with Granada, with an annual payment obligation to the Exchequer of around £27m, is instructive. Across the Pennines, with a broadly similar share of ITV advertising revenue, the merged moguls will need to find £63m.

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COMPANIES & MARKETS
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INSIDE

O&Y outlines plan to restructure debt

Olympia & York yesterday outlined a new debt-restructuring proposal which would include extending repayments on most of its debt for five years. Meanwhile, a group of Canadian banks applied to the Ontario court of justice to terminate interest rate swaps with O&Y. The banks say the value of the swaps is declining as interest rates fall. Page 20

Manweb profits up 60.5%

Manweb, the Chester-based regional electricity company, yesterday reported a pre-tax profit of £94.7m ($176.6m) for the year to March 1992, up 60.5 per cent. The company's core distribution business increased its profit by 83 per cent to £106.3m. Page 23

Meat-eaters chew up Cranks

A management buy-out, led by two meat-eaters, has bought eight restaurant/takeaway outlets and the brand name of the Cranks vegetarian restaurant chain. Cranks will be to many forever tarred with a hippy image, but the driving forces behind the buy-out hope to nail those prejudices. Page 24

Nutmegs face the chop

The world's two largest nutmeg producers are contemplating the destruction of about 10,000 tonnes of stocks to stiffen the market and improve prices. Page 32

May is the cruellest month

May was a volatile month for turnover in European stock exchanges. Italy had periods of excitement, but the Danish "No" vote to the EC Maastricht treaty brought fear back into the Milan bourse at the beginning of June. Back Page

Japan's brokers maintain hope

Japan's four main brokers reported generally lower profits from their overseas operations last year. While Nomura Securities was the only one of the quartet to report a consolidated after-tax profit last year, all four brokers expect to return to profits this year. Page 21

National Semi expects upturn

National Semiconductor, the US chipmaker undergoing restructuring, yesterday reported fourth quarter net earnings of $27.5m up from $5.6m a year ago. It expected economic trends to improve slightly in the coming year. Page 20

Shifts in steel industry

A new phase of restructuring in the world stainless steel industry is shifting the spotlight away from foreign takeovers in the US to the forging of alliances in Europe. Page 19 Meanwhile, the second part of the partial privatisation of Taiwan's biggest steel group gets under way this month. Page 21

Market Statistics

Companies in this issue

Chief price changes yesterday

NEW YORK ($)			
Rises			
Apple	49	+	1½
IBM	95⅞	+	3¼
Intel	51¼	+	3½
Falls			
Ad Micro Devices	9¼	-	5¼
J&J Snack Foods	9¼	-	3¼
Sundstrand	35⅝	-	1⅝
PARIS (FFr)			
Falls			
Cetelem	750	-	17
Chargeurs	1184	-	31
Cr Fonc France	869	-	31
Eurocom	680	-	18
Fonc Lyonnaise	615	-	16
Radiotechn	545	-	15
TOKYO (Yen)			
Falls			
Daiwa Secs	721	-	89
Fukuda	1070	-	100
Japan Sec Fin	825	-	76
Sanwa Bank	1080	-	120
Seino Transport	1500	-	140
77 Bank	620	-	65

Frankfurt closed. New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Plasmec	84	+	4
Tyne Tees TV	263	+	34
Falls			
Aspen Comms	145	-	10
BM	318	-	17
Bibby (J)	154	-	6
Bradstock	138	-	12
Br Aerospace	277	-	16
Fairline Boats	192	-	56
First Nat Fin	42	-	12
Goldsmiths	24	-	3
Hansons Cros	125	-	7
Harlows	7	-	2
ICI	1235	-	36
Lasmo	198	-	10
Learmonth & B	83	-	5
London Intl	219	-	35
Lookers	107	-	6
Proteus Intl	382	-	18
Psion	151	-	12
RHM	210	-	11
Rolls-Royce	161	-	8
Royal Bk Scot	186	-	9
TI	353	-	14
Wellcome	919	-	25

Peter Bruce on the banker who became a media magnate after a board-room coup in Madrid

Mario Conde walks through fire again

Mario Conde has just infuriated Madrid's close-knit financial community with yet another example of his ability to walk through fire.

On Wednesday the 42-year-old chairman of Banesto, one of Spain's biggest banks, became a media magnate when he engineered the takeover of a television channel and a daily newspaper. Antena-3 TV was taken over in a swift, Banesto-financed $100m move by Mr Conde, Mr Rupert Murdoch the Australian-born publisher, and a Madrid publisher friend, Mr Antonio Asensio.

Mr Conde has learned quickly to do his business the way most of Spain does – with his friends. He first bounded on to the financial stage in 1987 when he and a friend sold their bulk chemicals producer to Montedison for Pta65bn ($660m). With the proceeds they bought their way on to the Banesto board just as the bank was being threatened with a takeover and Banesto's rattled board made him president within days of his arrival.

Since January 1988, Mr Conde has become easily the most controversial personality in Spain, making enemies as easily as he holds on to his friends. He rudely cleared Banesto's board of its venerable old shareholders and set himself the almost impossible task of untangling the bank from the cross-holdings that linked it to a vast industrial empire.

The government openly dislikes him, not least because the media has decided he may become Spain's first democratically elected conservative prime minister if Mr Felipe Gonzalez ever decides to retire.

Mr Gonzalez criticises him in public. The Finance Ministry stopped him selling Banesto's insurance subsidiary offshore and, when he finally separated Banesto's industries from the bank and merged them into an industrial corporation, it allowed him only a fraction of the tax waiver permitted by the law on revalued assets. The Bank of Spain last year threatened to challenge Banesto's accounts for not passing portfolio losses through profits, but backed off.

> He is the most controversial personality in Spain

Earlier this month he stoked those fires by calling for a referendum on the Maastricht Treaty, to the fury of the government, and last month he was attacked at a shareholder's meeting by BP, which claimed he had reneged on a deal to buy back Banesto shares owned by an oil refiner he sold in 1991.

Antena-3 TV may be his best means of defending himself from public attack. But to be effective, Antena-3, the least successful of three commercial channels licensed in 1989, needs to radically improve its ratings. To do that, Mr Murdoch's experience and his US and UK programming will be vital.

However, anyone trying to remove Mr Conde from Banesto risks causing great damage to the institution at the same time. And the Banesto group is troubled. After creating his industrial corporation, he had wanted to float some of it for around $800m. The invasion of Kuwait collapsed the markets, saddling him with industries accounting for 1 per cent of Spanish gross domestic product in an economy the government was trying to cool down.

It has succeeded, and so Banesto's industrial profits plummeted 48 per cent to Pta12.6bn last year. Unable to float the corporation, he is selling it piecemeal – Petromed to BP last year, the insurer Union y Fenix into a joint venture with AGF. Industrial affiliates' profits fell 76 per cent on average in 1991. As a result consolidated (bank and industrial) profits fell 7.3 per cent to Pta52.3bn in 1991. For the right price, all the companies are for sale.

At the bank itself, he has managed to sustain asset growth through extremely aggressive lending. Last year Banesto's lending grew 50 per cent faster than the banking sector. This might backfire as bad debts rise to record levels and the investors have cut Banesto's stock market capitalisation by 30 per cent to around $270bn.


Terry Kirk
Mario Conde: the Spanish government openly dislikes him

But, says Mr Joaquin Tamames of the corporate analysts Axel Group, the banking business is coming good. "Over the last three years consolidated operating profits have increased remarkably and the bank is containing costs." Banesto bank profits rose 14 per cent last year to Pta45.6bn and consolidated group fee income from banking services rose some 70 per cent to Pta54bn.

Mr Conde is, nevertheless, constantly on a knife edge and he deals with it by running at trouble rather than away from it. Three months ago he signed a deal with the Count of Godo, the founder of Antena-3 TV, to take stakes in the television channel and Mr Godo's rich newspaper, La Vanguardia, in Barcelona. Criticised by the government and journalists, Mr Godo hastily pulled out of the deal.

On Wednesday he learned a little about crossing Mr Conde and was toppled from his presidency of Antena-3. One of the next chapters in this great adventure might be a government-inspired attempt to find someone to take over Banesto.

The stock is cheap with the shares yielding about 20 per cent more than the banking average, but local buyers are thin on the ground and Mr Conde knows the last thing Madrid wants is another foreigner swallowing a large slice of the nation's economy.

KIO says it will remain in Spain

By Peter Bruce in Madrid

THE KUWAIT Investment Office (KIO), has told the Spanish government it has no plans to withdraw its large industrial investment from the country in spite of the costs of rebuilding Kuwait and the resignation this month of its long-time partner in Spain, Mr Javier de la Rosa.

KIO's new management met Mr Carlos Solchaga, Spanish finance minister, in Madrid on Wednesday. Valuations of KIO's assets in Spain vary between $2bn and $7bn but it is easily the biggest private investor in the country and, with 25,000 employees, the government has been worried by reports that it was considering withdrawing.

In particular, the KIO chemicals group, Ercros, is the mainstay of the domestic chemicals and fertiliser industry and has fallen into deep losses in spite of heavy injections of state funds into its fertiliser operations.

Ercros lost nearly Pta16bn ($161.6m) last year while the main KIO holding company, Grupo Torras, saw profits fall 25 per cent to Pta3bn, according to information given to the stock market commission.

It was being suggested in Madrid before the Wednesday meeting that the government planned to insist that KIO cleanse its businesses of their debt – thought to amount to up to $1.2bn – or at least provide new funds to stabilise some of its companies. Reports that KIO planned to inject a further $1bn into its operations in Spain could not be confirmed yesterday.

Mr De la Rosa, KIO's representative in Spain for nearly 10 years and who created the Torras group largely on his own, resigned as vice-president of Grupo Torras to pursue his own business interests, mainly in Catalonia.

KIO is looking for an investment bank to monitor its investments in Spain but is also likely to post a Kuwaiti official to Spain for the first time since it began investing here in 1984. For the moment its interests will be managed by an executive committee headed by Mr Luis Vano, director-general of Aresbank, owned by Spanish, Kuwaiti and Libyan interests.

The group's immediate concern is to finalise a joint venture, begun by Mr De la Rosa, between the US commodities group, Freeport MacMaRon, and Ercros' loss-making fertiliser and mining divisions.

Hachette path to merger approved

By Alice Rawsthorn in Paris

HACHETTE, the heavily indebted French media group, yesterday secured shareholders' consent for a FFr2.8bn ($530m) recapitalisation package as a precursor to its proposed merger with Matra, one of France's largest defence companies.

Mr Jean-Luc Lagardère, chairman of both Matra and Hachette, said that the latter was on course for a return to modest net profits this year – having sustained a FFr1.93bn loss in 1991 – but was still experiencing pressure on operating margins.

Hachette, he said, was also under pressure because of the cost of servicing its debt.

The group incurred heavy borrowings to finance an ambitious expansion programme in the late 1980s and is now trying to make disposals.

Mr Lagardère said he expected within weeks to announce the sale of Hachette's landmark building on Boulevard St Germain in Paris for around FFr500m.

For several months Hachette, which is still trying to recover from the collapse earlier this year of La Cinq, the French TV station, has been locked in negotiations with its shareholders and bankers over its proposed recapitalisation.

It has now secured their consent to implement its proposals which include issuing FFr900m of new ordinary shares and FFr600m of convertible bonds.

Mr Lagardère said the recapitalisation should be completed by the end of this year or early next year and that Hachette would then proceed with the Matra merger.

This merger, which Mr Lagardère claims will yield considerable cost benefits, has been fiercely criticised in France because of the apparent lack of synergy between the two companies.

Last year, Hachette was affected by the impact of the economic slowdown on its media businesses, particularly in the US, as well as by the La Cinq debacle.

Mr Lagardère said its markets were "still in a recessionary phase" and that the group might suffer another fall in operating margins in 1992.

However, he said there were signs of recovery in the US where Grolier, the encyclopedia group, ought to increase profits while Salvat, the Spanish publisher, should reduce its losses.

Siemens pulls out of IBM deal

European memory production may end, writes Michiyo Nakamoto

SIEMENS, the German electronics group, is reducing its participation in the semiconductor memory market in a move that could mean the end of European memory production.

Siemens has decided not to build a new manufacturing plant for advanced semiconductor memory chips which it has been developing with IBM, the US computer group, in an agreement made a year ago.

"We are not going to build a 64-megabit D-Ram facility with IBM," a Siemens representative said. "The intention is that we will not be a major player in the D-Ram market after the 16-megabit."

Meanwhile, IBM said yesterday that it was looking for a partner to collaborate in the manufacture of 64-megabit D-Rams in Europe.

"At present we continue to plan for 64-megabit manufacture in Germany. We are looking for new partners within the timeframe of roughly one year," IBM said.

The decision by Siemens does not mean it will pull out of the memory market immediately. It still manufactures 1-megabit, 4-megabit D-Rams and is collaborating with IBM in 16-megabit production.

However, it does mean when those products are replaced in the latter half of the decade by future generation products, Siemens is not likely to be a participant in the D-Ram market.

Its decision stems from its view that longer-term demand for D-Rams will decline, and since intense competition has led to sharp price falls and many manufacturers of D-Rams are losing money, it does not make sense to continue to invest in that product.

The worldwide market for D-Rams has been depressed over the past few years, particularly in Europe, where manufacturers are willing to keep prices low to increase market share, according to Mr Harding.

"There are too many D-Ram suppliers and companies who stay in D-Rams may kill themselves," said Mr Byron Harding at Dataquest, the high technology consultancy.

Siemens had continued to manufacture memories, which were considered technology drivers because it wanted to master the D-Ram manufacturing process in order to move into more advanced technologies.

However, it no longer believes this is true. Instead it hopes to use skills learned in the development of memories to manufacture more profitable products, such as application-specific integrated circuits.

Siemens's decision to move away from memories raises questions over Europe's ability to manufacture semiconductor memory chips, a market dominated by manufacturers in Asia. The biggest memory manufacturers are Japanese.

Philips, Europe's largest semiconductor supplier, has already pulled out of slow read-only memory chips (S-Rams) and has stopped selling erasable programmable read-only memory (Eprom) chips while SGS-Thomson is not participating in slow S-Rams and its profitability from Eprom sales has been dwindling, according to Mr Harding.

Intel wins round in battle to halt cloning by AMD

By Louise Kehoe in San Francisco

INTEL, the leading US manufacturer of microprocessor chips for personal computers, has won a critical lawsuit in its battle to prevent Advanced Micro Devices from cloning its products.

A Californian jury has returned a verdict that AMD does not, as it has claimed, have the right to use Intel's microcode, the internal instructions that control a microprocessor.

AMD has won an estimated 30 per cent share of the market for 386 microprocessors, since the company launched its own version of the Intel device last year, boosting the company's sales and earnings to record levels.

AMD's stock price fell $5⅝ yesterday on news of the verdict, to $9¼. Intel gained $3¼ to $51.

The lawsuit is one of several between the two companies involving AMD's rights to Intel technology. The latest decision is a serious setback to AMD's efforts to become a major competitor in the microprocessor market because the company may now be forced to create its own microcode for all microprocessors. This is a long process in which AMD has no experience.

The latest case involved Intel's 287 math co-processor, a device that works alongside a microprocessor to boost its calculating speed. Intel had filed suit against AMD in 1990, charging the company with copyright infringement. AMD claimed to have license to use Intel's microcode under a 1976 pact between the companies and arguments in the case revolved around interpretation of the agreement.

Intel said the microcode licence was limited to its use in computer systems designed for software development, and AMD failed to convince the jury that its licensing rights were broader.

Intel hailed the decision as a seminal victory in its legal battles with AMD. "We are extremely pleased with today's verdict," said Mr Thomas Dunlap, Intel general counsel. Mr W.J. Sanders, AMD chairman, told employees: "We have suffered a setback – not a defeat."

AMD said it would now have to produce its own version of the internal instructions for a next-generation 486 microprocessor it had planned to launch soon, delaying introduction of the product.

For 1991 AMD reported revenues of $1.2bn and profits of $145.3m. Intel reported record revenues last year of $4.78bn and $819m in profits,

GPA GROUP'S ABORTED GLOBAL ISSUE

Demand falls short by 30m shares leaving financial advisers bitterly disappointed

Investors in UK and US shy away from deal

By Sara Webb, Simon London and Richard Waters

DEMAND for GPA Group's shares fell well short of the goal set by the aircraft lessor's financial advisers, with UK and US institutional investors shying away from the deal.

Originally, GPA had hoped to sell 80m shares worldwide, with 30m in the UK and Ireland, 20m in the US, 15m internationally (continental Europe, the Middle East and Asia), and 15m in Japan.

Instead, by early yesterday morning, the financial advisers to the issue found that there was only demand for about 50m shares, with nearly half of that – 22.93m – coming from retail investors in Japan.

Although some of the other financial advisers remained sceptical about the strength of Japanese demand for the shares, Nomura, the global co-ordinator for the issue, denied its managed investment funds would have been used to mop up the shares. It said that two-thirds of the demand from Japanese retail investors was new money.

Demand from international investors, particularly Swiss, German and Middle Eastern institutions, was healthy, amounting to 13.3m shares. However, in the UK and Ireland demand amounted to only 7.5m shares, while in the US there was only a demand for 6.5m shares. In both cases, the institutions were notable by their absence, according to the financial advisers involved in the flotation.

One adviser said: "US institutional demand was disappointingly small – though maybe it would have been better if there had been more time to sell the issue."

With such a low proportion of institutions willing to buy, financial advisers pointed out there was not a substantial enough investor base for the deal to go ahead, and expressed concern that the retail investors could have quickly sold out if the issue had gone ahead.

Financial advisers and investors yesterday provided plenty of reasons why GPA had not proved a popular stock. Many pointed to the current difficulties faced by the US airline industry, general market conditions, and the reluctance of the US fund managers to commit themselves to the issue before seeing the response of the UK investors.

One of the advisers to the issue complained: "There wasn't any single issue which arose, but it was partly the fact that the US investors seemed to be looking to the UK for a lead, while the UK investors looked to the US for a lead."

Another of GPA's financial advisers blamed conditions in the US market for IPOs (initial public offerings). "Several recent [IPO]issues have subsequently traded at below the price offered, which doesn't look good."

GPA's rapid growth and the domineering style of its senior management made some potential investors wary. The head of investments at one of the UK's biggest insurers said: "People are very nervous about these large entrepreneurial businesses – it hasn't been a good year for them."

In addition, GPA's high level of gearing and the complex financial structure of the group put off the more cautious investors. "It's the sort of business that's very difficult to understand," said one. "It's like a pyramid of cards. If something goes wrong, the whole lot could come down."

The airline industry analyst at one of the largest US mutual funds, which has $70bn under management, gave several reasons for turning down the GPA offer. "GPA badly needed access to public equity finance, which is not the best motivation for a global share offering," he said. "Investors were unnerved by the air of urgency." He added an assortment of further reasons for remaining cautious including:-

- The cyclical peak in leasing margins and residual aircraft values has already been reached against a background of decline in the airline industry as a whole.
- It was "common knowledge" as early as last year that Air Canada and Air Lingus wanted to liquidate their holdings in GPA, and the stock was touted around the US.
- GPA's financial strength was questionable. Total debt rose from $2.7bn in 1991 to $4.1bn in 1992. Gearing rose from 240 per cent to 330 per cent.
- The company is commited to raising $11.9bn to fund aircraft purchases to the year 2000, with a further $9.1bn required if it exercises options on aircraft. Lines to meet these funding needs are not in place.
- Lease financing from Japanese banks, the engine of the business in the 1980s, has dried up. This could lead to an increase in on GPA's cost of funds.
- GPA's profitability was already in decline. Upward pressure on funding costs will accelerate this.
- Most of GPA's customers were not among the top league airlines, so its exposure to credit risk is substantial.

The failure of the issue has clearly been a bitter disappointment to many of the financial advisers concerned, particularly Nomura given that it was the company's first mandate as global co-ordinator for an equity deal outside Japan.

Market takes the cancellation in its stride

By Maggie Urry

THE MOST cheerful interpretation that analysts could put on the sudden cancellation of the GPA Group flotation yesterday was that it removed one source of supply of new stock.

Money earmarked for the issue could be diverted elsewhere in the equity market, which is beginning to suffer indigestion from the weight of new paper being sold.

But as less optimistic strategists put it, hardly any UK investors had earmarked cash for GPA anyway.

The announcement that the issue had been pulled at the last moment was certainly a factor in the 35.7 point fall in the FT-SE 100 index to 2,562.7. But the market had already coped with the postponement of the 3i flotation until next year. Strategists feel the stock market has more to worry about than delayed flotations.

Overnight falls in New York and Tokyo, due to pressure on corporate profits, were more frequently cited as reasons for nervousness in the UK market yesterday.

The dampening of hopes for economic growth in the UK and the prospect of further downgradings of earnings estimates were also viewed as more serious concerns.

As one strategist put it: "GPA barely makes it into the top 10 of reasons to be bearish." The market could become more concerned, though, if there were suggestions that the cancellation of the flotation put GPA's financial position into doubt.

A well-publicised, last-minute, cancellation like GPA's – unlike 3i's issue which was still some way from the market – cannot help sentiment towards other issues in the pipeline, but it may have little real impact. The UK market is experiencing the greatest run of new issues, apart from privatisations, since the 1987 stock market crash.

Wellcome Trust, the majority shareholder in Wellcome, the pharmaceuticals group, which is planning a £4bn secondary offering, said that GPA's cancellation "in no way changes or affects our plans." However, Wellcome's shares fell 26p to 919p yesterday.

Like GPA, the Wellcome sale is a big international offering. But corporate financiers agreed the GPA flotation was so distinct from the Wellcome issue that the latter should not be seriously affected.

They noted that Wellcome's sale structure was more flexible than GPA's had been, allowing it to direct shares to areas of stronger demand. Further, the group is more readily comprehensible to investors, and is part of a well-researched sector of the market.

Wellcome is also putting a great effort into educating investors through a massive international road show. And since it is a secondary offering, it is being priced against an existing share quote, whereas GPA's pricing was a much more difficult exercise.

Other issues in train, such as MFI and Kenwood, are not expected to be seriously damaged by GPA's decision. More worrying for them is the general fall in the stock market over recent weeks, which will be reducing the prices vendors can expect for the shares.

Advisers learn a costly lesson from success-related deal

By Roland Rudd

THE GLOBAL offer for GPA Group's aborted $800m (£432m) flotation was billed as the first of its kind. For the advisers involved it proved to be the most expensive

None of the investment banks engaged for the flotation, which included Nomura International as global co-ordinator, Merrill Lynch, Goldman Sachs and Salomon Brothers in the US and Schroders and BZW in the UK, will be paid a penny. Their fees were success related. Failure will have cost them dear: during the past year GPA absorbed a bigger chunk of their time than any other planned flotation.

Only Hambro Magan, the company's permanent financial adviser, is on a retainer.

Some of the advisers yesterday said, that after having done so much work on the issue, they would like to establish an arrangement whereby they might be put on a retainer for future advice.

Mr Maurice Foley, GPA's chief executive, said he was still looking at all the options, including whether it was possible to seek a public listing.

But, as to retainers, it was too early to tell. All he could say was that technically all of the advisers' contracts have expired and so they could be seen to have "stepped down". Although he made it clear that they had neither been fired nor resigned.

The listing was to have been simultaneous in New York, London, and Dublin, with a placement of shares in Japan. There was to be a public offer by tender to give the issue maximum flexibility.

Instead of asking US banks to underwrite a fixed price without knowing the demand – something which they are increasingly reluctant to do – lead managers sought to build up a book of orders before pricing the shares.

There was a price range of $10 to $12, following a 1-for-1 scrip issue, but the actual price would not be fixed until the investment bankers had clear figures of demand in each country.

Each market was given an indicative amount; 30m shares to the UK, 20m to the US, 15m to Japan and 15m to the rest of the world. The competitive tensions between the different markets was expected to ensure demand.

As late as last Sunday evening the advisers believed that the issue would be oversubscribed. This was because they had a better response from retail investors than institutions.

Indeed, only 10 days ago the advisers leaked the fact that they had persuaded the company to issue another 5m shares. "I am not into recriminations, but we were advised to increase the number of shares on offer (from 80m to 85m) 10 days before we had to pull the issue," Mr Foley said yesterday.

The issue collapsed when it became clear on Monday that there was no institutional demand from the US. According to Mr Foley that affected sentiment in the UK and the rest of the world.

"The complexity of the the bookbuilding issue," said Mr Foley, "with one domino leaning on the other, may not have been the right way."

Ashley Ashwood

A time for reflection: Tony Ryan, chairman of GPA, pictured yesterday after the announcement that the flotation was off

Japanese brokers blame flop on Nomura

By Stefan Wagstyl in Tokyo

THE SUCCESS or failure of the GPA flotation hinged on the willingness of Japanese institutions to bid for the stock. In the event, they shunned the issue in sufficient numbers to force the underwriters to scrap the offer.

Despite intense efforts from Nomura Securities, the international co-ordinator for the offer and the lead underwriter for Japan, investors bid for only about 90 per cent of the stock earmarked for Japan.

Underwriting managers at rival securities companies said Nomura's own clients had accounted for about 70 per cent of the total. "The rest of us sold very, very little. Nothing like as much as Nomura," said one underwriting manager.

Underwriting managers said institutions had declined the offer because of the general uncertainty about world financial markets, including the market for aircraft leasing.

They also had not fully grasped the nature of GPA's business and had been frightened away by an article in Saturday's Financial Times which had advised investors to avoid the offer. "It did a lot of damage," said one underwriting manager.

Moreover, institutions were influenced by the experience of Mitsubishi Trust & Banking, the leading trust bank, and other Japanese investing companies which bought shares in a private deal at $32 and would have realised a large loss if the offer had proceeded. Mitsubishi trust bank has a close relationship with GPA and owns 13.4 per cent. Some fund managers judged that if Mitsubishi trust bank had lost money then less well-connected and less well-informed investors should stay away.

Underwriting managers said that the main interest in the offer came from private individuals who had despaired of finding a good investment in the depressed Japanese market. But, as one underwriting manager said, salesmen were cautious about promoting such stock to individuals since they had even less idea about the nature of GPA than the institutions.

There was plenty of recrimination in Tokyo last night with rival brokers heaping the blame for the flop on Nomura. They said Nomura had been over-ambitious. They also said Nomura mishandled the cancellation with some investors receiving the news before others.

Debt still accessible, but more expensive

By Simon London and Richard Waters

THE FAILURE of GPA Group's share sale leaves the group facing an increase in its cost of borrowing – though financiers said yesterday that it would still have access to debt.

The likely rise in borrowing costs was signalled yesterday as Standard & Poor's, the US rating agency, placed GPA under review for a possible downgrade. Moody's Investors Service, the other big US agency, is already reviewing GPA for downgrading.

The group currently carries a Baa1 credit rating from Moody's, one notch lower than S&P and only two notches above the "speculative" grades shunned by most investors.

Mr Phillip Baggaley, credit analyst with S&P in New York, said: "Following a period of rapid development, GPA does need an injection of equity. Failure to complete the share offering will weaken the balance sheet going forward, although there is no sign of any cash or liquidity problem."

GPA has relied until now on three main sources of debt finance: banks, bonds and securitisation (under which it has sold bonds with the backing of aircraft leases as security). It has also succeeded in selling shares in a number of private placements. One banker said: "They have tried all the avenues: no one particular form of finance has been enough for them. This will make it a bit more difficult."

GPA's main banking facility is a $2.075bn syndicated credit line negotiated with a group of 73 banks in 1987. Other lines include a $325m interim facility signed in September last year, falling due for repayment in December 1993 and March 1994.

Although these committed bank lines are secure, banks are unlikely to extend additional credit.

GPA made its first public bond offering at the end of last year, a $500m seven-year issue in the US market, and has placed bonds and preference shares privately with institutions several times. While US institutional investors may have been unwilling to commit equity capital to GPA, it has raised substantial debt finance in the US. Yesterday however, trading in its bonds had dried up in New York. Dealers at US investment banks were unwilling to quote a price on the debt.

The US market has also been a source of short-term liquidity for GPA via its $250m commercial paper programme, set up in March 1990. The prospectus said GPA had on average $84m commercial paper outstanding at any time. S&P said yesterday its short-term commercial paper rating for GPA would not be reviewed.

Securitisation remains one of the group's best chances of raising further debt in the near future. Last week, GPA made the first issue of securitised aircraft leases.

Under the issue, 14 aircraft leases were placed in a special purpose company which then issued bonds. The cash flow from the leases is used to pay bondholders.

Similar techniques are well established in other areas of the financial markets: credit card debt and mortgages are often securitised in the US.

The special purpose company which owns the aircraft leases and issued the bonds is "ring-fenced" and should be immune from any financial difficulties at GPA. The price of last week's bonds were barely affected by yesterday's news.

Analysts said that the availability of securitised finance depended on the health of the airline industry. If charter companies leasing the aircraft default, bondholders will only continue to receive payments if the aircraft can be repossessed and either leased or sold.

That means that securitised bonds look a less attractive investment if airlines and charter operators are in financial difficulty, if income from aircraft leases falls, or if the residual value of commercial aircraft is depressed.

Airline executives fear blight on orders

By Daniel Green

THE FAILURE of the flotation will further disrupt the order books of world aircraft manufacturers, said airline executives yesterday. They also feel that it will raise the cost of financing aircraft and so help push some of the weakest airlines into bankruptcy.

GPA stood to raise at least $3bn (£1.6bn) from the flotation. The first $800m was to be directly from the issue of new shares and the rest through increased borrowing.

GPA said yesterday it was confident that it could tap other sources, but others in the aviation sector believe GPA and other purchasers will have far less money than planned – and at a higher cost – to spend on new aircraft.

This is the latest blow for recession-hit manufacturers. In the last few months the big three US airlines – American, United and Delta – cut their capital spending programmes. Other airlines have deferred delivery dates. And only last week, McDonnell-Douglas said it was all but abandoning development of the MD-12 600-seat aircraft.

As the largest leasing company in the world, GPA is also one of the biggest buyers of new aircraft. Its firm order book, worth $11.9bn, accounts for more than 10 per cent of the outstanding orders of Boeing and Airbus, the world's biggest civil aircraft makers.

Without new equity, it will not have the cash to pay for all of these aircraft. Unless GPA can issue more equity – through a flotation or private placements – it might be forced to cancel some of the 308 aircraft on order for delivery between 1993 and 2000, said City analysts.

Aircraft manufacturers were tight-lipped yesterday, insisting that GPA finances were not their affair. Investors took a different view however. The share prices of Boeing and McDonnell-Douglas of the US, Fokker of Holland and stakeholders in the Airbus consortium, such as British Aerospace, all fell.

Smaller airlines also felt the pressure. GPA often leases to smaller or poorly capitalised airlines which struggle to obtain attractive terms for financing to back expansion.

Part of the reason for the share price weakness was fear that aircraft buyers would delay purchases further, increasing the pressure on prices. "Aircraft values could be sent spiralling downwards," said Mr Keith McMullan, managing director of Avmark, aviation consultancy, yesterday.

There was also recognition that GPA, a financial company expected to have good contacts in the investment community, had failed to persuade investors that the airline industry was a good bet.

"It cannot be good news that GPA cannot attract funds in the present business climate," said Mr Alan Hodder of the International Bureau of Aviation, a US-UK consultancy.

Airlines have been unable to recover strongly from the collapse in demand caused by the Gulf war. US carriers have fought a series of price wars that have destroyed hopes of short-term profitability

Another price war has just begun, and this week American Airlines, the only large US carrier to make a profit in 1991, said it would lose money in the second quarter of this year.

Such is the desperation of the airline industry to see a fall in the number of competitors, that executives were yesterday prepared to argue privately that the failure of GPA's flotation was a good thing.

"It will make it more difficult for weak or small airlines and will help consolidation in the industry," said one executive. The corollary, was that fares would eventually increase and allow airlines, to repair their damaged finances.

Larger Irish institutions hoped to reduce stakes

By Tim Coone in Dublin

IRISH institutional investors and shareholders that had together planned to dispose of some 6.5m shares in yesterday's combined offering in GPA Group, were unwilling to comment on the company's surprise decision to withdraw the offer.

But there was widespread unhappiness elsewhere in Dublin. "The signals in the London market had been there for weeks," one banker said.

"The failure of the offer has a lot to do with GPA's own arrogance. GPA was forcing the pace the whole time over the price of the offer. You can't push institutions uphill, and GPA weren't prepared to recognise that. For years they have been promising a public offer, but then they kept turning to the institutions and asking them to keep their holdings for another year. They have lost a lot of friends like that".

Although some existing GPA shareholders were due to reduce their stakes, institutions and retail investors had been expected to buy a total of between $30m (£16.2m) and $40m of new shares in Dublin. As a result, Irish institutions would have shown a net increase of about $20m in their holdings.

Mr Mike Moroney of Goodbody stockbrokers said a number of the larger institutions already holding GPA stock were looking to reduce their exposure, as once floated GPA would have represented 20 per cent of the Dublin stock market's market capitalisation.

He said that the target exposure to GPA as a percentage of their Irish market portfolios that the institutions were aiming at was about 6 per cent. "Some would have been wanting to reduce their level to that, others would have been looking to get in", he said.

General Ryan loses the battle of the bulge

THE SHANNON headquarters of GPA looks more like the branch office of a small software company than the nerve centre of a worldwide business.

Its main operations room, however, resembles the war games room of a military headquarters. Maps, charts and data can be instantly called up from blinking banks of computers on to three movie screens. Information on every jet manufactured in the western world – maintenance history, owner, technical data – can be shown in seconds.

Simultaneously, maps can be displayed showing the locations of individual aircraft types, beside charts of the latest exchange the world's main financial centres. The locations of GPA's 100-odd marketing agents in the field can be superimposed, and game plans drawn up.

Here the company's executives meet every Monday morning to discuss strategy. Chairman Tony Ryan, who started GPA with $50,000 in 1975, does not tolerate excuses for missed meetings.

The grandson of a station master, and son of a train driver, 56-year-old Ryan started with Aer Lingus as a dispatcher at Shannon airport when he was 19. Quickly moving up through the ranks, he discovered there was money in jet aircraft leasing when he leased two 747s for Aer Lingus in the mid-1970s.

Guinness Peat, the merchant banker, and Aer Lingus, helped him set up GPA, providing 90 per cent of the capital. The company initially earned commissions by placing one airline's surplus aircraft with those short of jets.

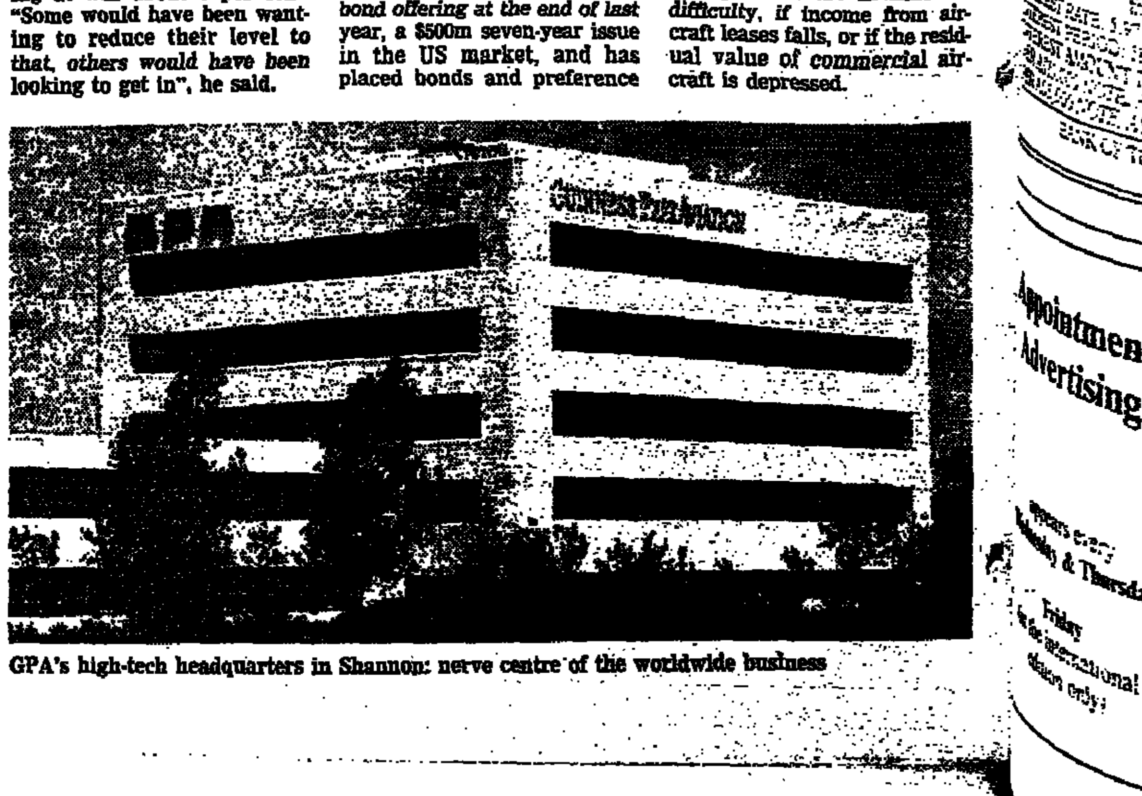
Since 1987, he has built a star-studded cast of non-executive directors, including: Nigel Lawson, former UK Chancellor, Garret Fitzgerald, former Irish prime minister, Sir John Harvey Jones, chairman of The Economist, Peter Sutherland, chairman of AIB Group and former EC Commissioner, and Shinroku Morohashi, president of Mitsubishi.

Today, "the business of GPA is turning airplanes into attractive financial assets and selling them to investors," says Mr Ken Holden, GPA's chief strategist. Its 300 employees – about a third of whom are abroad at any one time doing just that – produced a profit of US$279m in the last financial year, almost trebled in five years.

GPA's rapid growth put it on the verge of becoming Ireland's biggest company. Had it been floated, GPA would have accounted for 20 per cent of the Dublin stock market capitalisation.

Mr Ryan's implacable drive and his creation of a major international business from such humble beginnings, has won him admirers, but also detractors. One Dublin banker said yesterday: "He has been very arrogant with the institutions, and there are probably more than a few people laughing up their sleeves at the moment."

As Mr Maurice Foley, GPA's chief executive said recently, leasing "is a very cold, unsentimental business, even in Ireland".



GPA's high-tech headquarters in Shannon: nerve centre of the worldwide business

STET share offer draws heavy investor demand

By Haig Simonian in Milan

DEMAND for shares and warrants in STET, the Italian state-owned company which controls the country's telecommunications activities, has almost doubled the quantity of paper on offer.

The news, which follows the deal's closure ahead of schedule on Tuesday evening, will raise L707bn ($592.1m) for IRI, the cash-strapped state holding company which controls STET.

After all warrants are exercised, IRI's stake in STET will fall to around 53 per cent of its ordinary shares and just 1 per cent of its holding stock. IRI currently has about 69 per cent of STET's ordinary shares and 30 per cent of the savings stock, if all outstanding warrants are exercised.

The secondary sale of equity in STET was launched on Monday. The offer was constructed in the form of "packets", priced at L2,020,000 apiece. Each packet comprised 1,000 ordinary STET shares along with 50 warrants convertible into a further 500 ordinary shares and 100 warrants convertible into 1,000 savings shares.

Around 6,700 offers, for a total of 680,000 of the "packets" of shares and warrants being placed, were received, against the 350,000 packets on offer, according to the lead-manager, Mediobanca. Some 53 per cent of the offers had come from Italian investors and the remainder from abroad. Around 3,600 shareholders put in bids for over 215,000 packets, *and will receive 175,000, Mediobanca* said.

Seven sugar groups face Brussels fine threat

By David Buchan in Brussels

THE EUROPEAN Commission is threatening to fine seven sugar companies in the UK, Ireland, France and Denmark on suspicion that they have been illegally protecting their home markets from competition, and so forcing prices up.

The Brussels competition directorate has sent five sugar producers – among them, British Sugar, Tate and Lisle, and Irish Sugar – and two sugar trading companies a formal "statement of objections", alleging infringements of the anti-cartel Article 85 of the Treaty of Rome.

The companies have the chance to present their case in a formal hearing in Brussels, *before the Commission takes* any final action. The latter could be some months off.

The action, which came to light yesterday in a statement by Greencore, owner of Irish Sugar, to the Dublin Stock Exchange, follows a seven-month investigation from September 1990 to March 1991.

The Commission alleges that from mid-1986 until the start of its investigation, the companies concerned took a variety of actions which insulated their national markets, particularly the UK, from any effective competition from abroad.

Article 85 bars companies from pursuing practices which generally "have as their object *or effect the prevention*, restriction or distortion of competition" within the EC.

Sparbanken in SKr750m loss for first four months

SPARBANKEN, the Swedish savings bank, has posted a SKr750m ($132.7m) operating loss for the first four months of the year after loan losses totalling SKr3.073bn, writes Robert Taylor in Stockholm.

The bank said yesterday that the deficit was in line with estimates made at the time of the Swedish government's SKr7.3bn bail-out of Första Sparbanken in April.

The Swedish savings bank industry is going through drastic change. By the end of the year, Sparbanken will merge with 10 regional savings banks, the Stockholm-based Första Sparbanken and Swedebank. The aim is to streamline the industry by creating the largest savings bank in the country with SKr540bn in assets.

By 1994, Sparbanken intends to cut costs by SKr2bn from a level of SKr9.5bn at the beginning of the year in an effort to achieve a 15 per cent profitability ratio.

Enso-Gutzeit FM76m in the red in spite of sales gain

ENSO-Gutzeit, the Finnish pulp and paper group, has returned a FM76m loss (after financial items) for the first four months of the year, compared with a FM182m ($42.4m) loss for the same period of 1991, writes Robert Taylor in Stockholm.

Net sales went up by 9.3 per cent to FM3.36bn. The company *said internal rationalisation* measures would ensure a continuing revival towards profitability, but operations would still be showing a loss by the end of the year.

Mr Jukka Härmälä said competition had kept prices down, particularly for fine papers and publication papers, while the paperboard market was stable and demand *for Scandinavian sawn timber increased.*

UK TV stations unveil link plan

YORKSHIRE Television and Tyne Tees Television, two northern England companies that won independent television franchises last year, yesterday announced terms of a merger, write Richard Gourlay and David Owen.

A recommended offer from Yorkshire values the Tyne Tees share capital at £30.4m ($56.24m).

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Stainless steelmakers set to forge alliances

Andrew Baxter reports on the renewed interest in partnerships between European producers

A NEW phase of restructuring is under way in the world stainless steel industry. The spotlight has shifted away from foreign takeovers in the US and has refocused on the forging of alliances in Europe.

Last month's announcement that British Steel and Avesta, the Swedish stainless steel producer, were discussing potential collaboration raises the prospect of a new force in the stainless industry to challenge France's Usinor-Sacilor, which is the world's biggest producer.

Industry observers, and rivals of the UK and Swedish companies, are convinced that a deal will soon be announced to unite what one analyst calls "two second-division players". This will not be the end of the restructuring, they say, in an industry which remains plagued by overcapacity – in spite of better growth prospects than in the recession-torn carbon steel industry.

The restructuring in stainless began in the US before the current recession. In the late 1980s, the US producers' relative inefficiency, poor investment record and structural undercapacity in some product sectors turned them into attractive acquisition prospects for efficient outsiders. Ugine, the Usinor subsidiary, led the influx of foreign buyers and joint venturers.

The characteristics of the stainless industry make it particularly suited to a global approach, according to Beddows, the strategy consultancy specialising in the steel industry. This suggests that alliances will not end with transatlantic deals:

- All manufacturers share common internationally denominated raw material costs and want to increase their purchasing power;
- Grade specifications are becoming increasingly homogeneous worldwide, making it easier to centralise research and engineering functions and then apply the results to manufacturing facilities worldwide;
- Globalisation makes the slow and expensive process of finding new applications for stainless faster and cheaper by spreading the costs and the benefits worldwide.

All these trends are now making their mark on European producers, which at the same time have yet to tackle the problems of overcapacity in manufacturing. In stainless flat products, says Mr Philippe *Choppin de Janvry, chairman* and chief executive of Ugine, there is overcapacity of 20 per cent to 25 per cent, and much more in the smaller long-products sector.

Some overcapacity is necessary if producers are to respond to demand increases, but the industry suffers from a chronic problem common to the European steel sector generally: "When things are going well, nobody wants to restructure, but in bad times, no one is willing to take the pain," says Mr Rod Beddows, founder of the Beddows consultancy.

Short-term factors are encouraging partnerships, too. As the world stainless industry begins to emerge from recession, European producers want to position themselves to take advantage of the upturn. After a very poor second half of last year, the European market for flat stainless products is slowly improving and the US market *is definitely picking* up, says Mr Choppin de Janvry.

For the medium-sized European producers, the recovery prospects, however faltering, are a spur to salvage some of the financial strength which they lost through the past two years of bleeding balance sheets.

WORLD STAINLESS STEEL INDUSTRY*

	Production	Consumption
1981	6,374	4,496
1982	6,168	4,376
1983	6,972	5,020
1984	8,021	5,730
1985	7,915	5,970
1986	8,206	6,224
1987	9,185	6,930
1988	10,527	8,100
1989	10,192	7,820
1990	10,675	8,345
1991†	10,400	8,120

* Thousand metric tonnes. Excludes eastern Europe and former Soviet Union.
† Estimate by Beddows.
Source: World Stainless Steel Statistics, 1991

Growth forecasts of 3 to 5 per cent for the stainless steel industry may look unexciting, but dwarf the puny 0.5 per cent growth predicted for the European carbon steel market.

Hence the needs for partnerships to produce benefits of scale that will finance the long-term investments needed to exploit this growth, and keep up with changing production technology trends.

There is a further reason for the renewed interest in part*nerships and joint ventures* which the industry prefers to downplay.

In the summer of 1990, seven large European stainless producers shared a token Ecu425,000 ($327,000) fine levied by the European Commission for operating a price and production cartel.

British Steel was one of the seven, and Avesta was in the cartel but not fined because it is based in Sweden, outside the EC. The ending of the cartel, known as the Sendzimir Club after a stainless production process, has increased competition in the European market.

British Steel and Avesta are staying silent about what kind of deal may emerge from their talks, but are keenly aware of all the short and long-term pressures on them.

A merger or joint venture between British Steel Stainless and Avesta, which produces only stainless steel, would unite two similarly-sized, but financially weak manufacturers to create one of the world's largest producers with annual output of around 700,000 tonnes, eclipsed only by Ugine, which claims output of about 860,000 tonnes.

Significantly, a link would produce a dominant player in the European stainless sheet business, with a share of as much as 40 per cent of a market supplying investment-intensive process-plant industries such as chemicals. One analyst suggested this might attract the attention of the EC's competition authorities.

For Avesta, a deal could *make a big difference to the* return on its new "Steckel" mill for hot-rolling slab into coil – the first stage in the production process for cold-rolled sheet. British Steel does not have a dedicated stainless hot mill and is unlikely to buy one with its current clamp-down on capital spending.

For British Steel, the main benefit of a deal would be access to Avesta's extensive overseas distribution network. Both companies, says Mr Beddows, will gain more critical mass in the US.

The question remains whether any deal will lead to any significant reduction in European stainless production capacity. Observers do not foresee wholesale jobs cuts, either at Avesta or at British Steel, where more than 2,500 are employed in stainless, but some rationalisation looks likely. "If I were the boss, I would be rationalising," says Mr Choppin de Janvry. "I know their management, it's very capable, and it will do the same."

If a link-up between the two companies prompts further restructuring in the industry, it could be the first step to a healthier sector. But closures, particularly in long products, may still be unavoidable to achieve that.

Brent Walker hit by property losses

By Maggie Urry in London

BRENT WALKER, the leisure and property group which completed a £1.65bn ($3.05bn) refinancing in March, made a retained loss of £411.4m in 1991.

The loss compares with one of £367.7m in 1990. It was mainly caused by a sharp rise in interest costs, from £116.2m to £235.8m, and exceptional costs of £201.3m compared with £116.9m a year earlier.

Provisions for falls in property values accounted for £142.5m against £97.7m of the exceptionals. Fees and costs involved in the refinancing were £39.8m, up from £14m. There were reorganisation costs of £19.1m against £1.5m.

Lord Kindersley, chairman of the UK group, said: "1991 was, by any standard, a most trying year for the group."

As well as the financial restructuring and the losses, Mr George Walker, former chairman and chief executive, is claiming compensation for loss of office. The Serious Fraud Office has launched an investigation into the company's affairs. Lord Kindersley said Mr Walker had "gone quiet" and he could not comment on the SFO investigation.

There was a loss per share of 763.09p, compared with 299.77p, and no dividend on the ordinary or preference shares will be paid.

The group published a proforma post-restructuring balance sheet, prepared on a going-concern basis, which showed negative net worth of £177.1m.

Details, Page 23; People, Page 12

Unichips acquires Spanish crisps group from Borden

By Haig Simonian

UNICHIPS, the privately-owned Italian company which is the country's biggest maker of potato crisps, is expanding further in Europe with the purchase of Crecspan, Spain's second-biggest crisps group.

The vendor is Borden, the US multinational which bought Barcelona-based Crecspan in 1984. No price for the deal, in which Rothschild Italia advised the purchaser, was revealed.

Unichips, controlled by Mr Alberto Vitaloni, the son of the founder, is best known in Italy for its San Carlo brand, which has around 50 per cent of the domestic potato crisps market. The company started operating in Spain in 1989, and the following year bought control of Flodor in France, where it is also the market leader.

With its latest acquisition, made for cash, Unichips will have sales of around L750bn ($628.1m) this year.

O&Y unveils revised plan for restructuring of debt

By Bernard Simon in Toronto

OLYMPIA & York yesterday outlined a new debt-restructuring proposal which would include extending repayments on most of its debt for five years. It would also mean disposing of some of its Canadian properties and other investments.

The company reaffirmed an earlier plan to convert some of its C$13.5bn (US$11.2bn) debt into equity. However, it continues to insist that control remain with its existing owners, Toronto's Reichmann family.

The new proposals, which are still being discussed with key creditors, were contained in a progress report to the Ontario court of justice.

Separately, a group of Canadian banks applied to the court to terminate interest rate swaps with O&Y. The banks argued that the value of the swaps, which are considered an asset, is declining as interest rates fall.

O&Y, however, maintains that it requires the instruments to protect it against adverse interest rate movements.

In its submission, O&Y reiterated the importance of remaining a going concern. It warned that immediate liquidation would result in "significant losses to virtually all groups of creditors". It also said common management of its properties "serves to increase asset values in the aggregate".

The latest restructuring proposals call for loans to be categorised as either convertible debt or non-convertible debt. At the end of the five-year standstill period, convertible debt-holders would have the option of exchanging their claims into common shares.

The company also promised to draw up annual 12-month and 24-month business plans to be approved by an operating committee representing the creditors.

It proposed liquidating marketable securities on an orderly basis, except for certain core holdings, including its stakes in Gulf Canada Resources, newsprint-maker Abitibi-Price, and property developer Trizec.

Meanwhile, O&Y's information officer filed his first monthly report on the ailing developer's financial condition yesterday, and promised monthly briefings to the company's far-flung creditors.

The report, compiled by Mr Bernard Wilson, a partner at Price Waterhouse, will be made available only to O&Y's creditors and other outsiders this morning.

The reports stem from creditors' efforts to obtain more detailed information since O&Y filed for bankruptcy protection for its Canadian assets on May 14. O&Y handed control of the Canary Wharf project in London's Docklands to administrators two weeks later, but its US buildings remain outside the court orders.

The court order covers about two-thirds of O&Y's C$13.5bn debt. Creditors affected by the Canadian order, including 91 banks and many holders of publicly-traded securities, have been divided into six committees to facilitate negotiations on the restructuring plan which O&Y is now compiling.

Mr Wilson said a PW corporate finance team was also working with O&Y and the creditors "in a pro-active manner" on the restructuring plan.

National Semi has strong final quarter

By Martin Dickson in New York

NATIONAL Semiconductor, the Silicon valley chip manufacturer which has been restructuring itself, yesterday reported sharply higher fourth-quarter net earnings of $27.5m, up from $5.6m a year ago.

Mr Gilbert Amelio, president and chief executive, said the figures represented "the best profit performance for semiconductor operations in any quarter in the past five years".

Sales totalled $491.5m, compared with $444.9m, and earnings per share worked through at 22 cents, against 3 cents.

The quarter included 14 weeks rather than the normal 13. Mr Amelio said that taking this into account, sales and earnings still increased in the fourth quarter, both year to year and compared with the third quarter.

Gross margins achieved the company's goal of 30 per cent, due mainly to cost reductions from the restructuring programme.

The results were also helped by an $11m after-tax gain from patent licensing fees.

The company said business conditions during the quarter showed strong seasonal improvement, with worldwide bookings up substantially over the third quarter and over the previous year's fourth quarter.

Computer peripheral bookings continued to improve and automotive orders showed strong gains over 1991's unusually low levels.

National Semi said that it expected economic trends to improve slightly in the coming fiscal year, "but not enough to offset the normal seasonal patterns in bookings and shipments". It had entered the current quarter with an improved backlog and had not yet seen the normal summer seasonal slowdown.

For the full year, the company reported a net loss of $120.1m, or $1.24 a share, on sales of $1.72bn This compared with a loss of $151.4m, or $1.56, on sales of $1.7bn in 1991.

Telephone union to enlarge 2.9% stake in Telmex

By Damian Fraser in Mexico City

THE HEAD of Mexico's union of telephone workers has denied reports his group planned to sell its stake in Telmex, the Mexican telephone utility. Mr Francisco Hernandez Juarez said yesterday the union would instead enlarge its 2.9 per cent holding.

"In the next two months we will be seeking to buy an additional 2 per cent of the company, and are looking for credits to make the purchase," he said.

Telmex shares have fallen sharply over the past week on the rumours.

● Banacci, which owns Mexico's largest bank, appears ready to make a planned new equity offering.

Foschini at R169m pre-tax for 15 months

By Philip Gawith in Johannesburg

FOSCHINI, the South African clothing, jewellery and accessories retailer, yesterday reported taxable profits of R168.9m ($46.9m) for the 15 months to March on turnover of R1.15bn.

This compares with pre-tax profits of R148.9m on turnover of R822m for the previous 12 months. Annualised figures for the 15 months are not strictly comparable because they include two calendar first quarters, traditionally periods of low profit.

Net income for the 15 months came to R92.9m against R73.4m for the 12 months. The figure includes a first-time dividend and attributable retained income from Foschini's 35.3 per cent holding in Oceana Investment Corporation of South Africa. Oceana holds 34.4 per cent of Etam, the UK fashion retailer which it failed to take over last August.

Earnings per share were 216.2 cents for the 15 months, compared with 181.2 cents for the previous year. A scrip dividend of one new share for every 83 held has been declared.

Mr Stanley Lewis, chairman, said

profits, which compare favourably with its main competitors, reflected Foschini's strategy of catering to the broad middle market where disposable income was increasing.

The current year had started satisfactorily and he was confident progress would be maintained.

Ford, Chrysler 'lowest cost' makers

By Martin Dickson

FORD MOTOR and Chrysler of the US have become the world's lowest-cost car manufacturers, helped by the fact that American vehicle parts manufacturers have a 27 per cent cost advantage over Japanese rivals, claims a US study released yesterday.

The report, by the independent Washington-based Economic Policy Institute, could prove controversial.

US analysts agree that Ford and Chrysler have made great advantages over the past few years to narrow the production cost gap with Japanese rivals, but many believe the Japanese, and Toyota in particular, still have a significant edge.

The study, carried out with the help of the highly-regarded Office for the Study of Automotive Transport at the University of Michigan, estimates that the direct cost of producing a small car is $5,415 at Ford, $5,841 at Chrysler and $6,216 at Toyota.

However, the severe problems facing General Motors, the largest US manufacturer, are underlined by the finding that it requires $7,205 to produce a small car.

The report said one reason for this was that GM relied on outside parts suppliers – more efficient than in-house subsidiaries – for only 30 per cent of its supplies, compared with 50 per cent for Ford and 70 per cent for Chrysler.

GM, which also lags the other two companies in utilisation of its factories, is in the throes of a huge restructuring which involves both plant closures and a rationalisation of its parts supply network to slash costs.

Other analysts said a weakness of this kind of study was that it made comparisons in terms of currencies, which can fluctuate widely over time.

The figures showing Ford and Chrysler on top also assume that all factories work at full capacity, and they do not include pension and healthcare costs, and differences in costs of capital between the two countries.

The study estimates that US plants ran last year at 62 per cent of capacity, compared with 95 per cent for Japan, adding $800 to $1,500 to Detroit's costs per car. It also faced a $600 disadvantage because of the high US cost of pension and healthcare benefits.

When these factors were taken into account, Toyota became the lowest-cost producer, with Ford slipping to second place.

Mr Clyde Prestowitz, president of the policy institute and a critic of Japan's trading practices, argued that Detroit's survival was still threatened by factors beyond its control, and he called for action by Washington to support the industry, including easing its welfare benefits burden.

The study will be regarded as helpful ammunition by the auto parts industry in its campaign to sell more to Japanese assemblers.

The US industry has long argued that it is more efficient than Japanese rivals, but has been kept out of assemblers' plants by the keiretsu system of inter-locking Japanese corporate ownership.

Ashland Oil warns of reverse

By Karen Zagor in New York

ASHLAND Oil, the Kentucky-based diversified energy company, yesterday predicted a significant drop in third-quarter earnings.

It added that it would sell assets valued between $200m to $250m to compensate for the shortfall in net income, given its large capital spending requirements for petroleum refineries.

Ashland, which had net income of $76m, or $1.19 a share, in the 1991 third quarter, blamed declining refinery margins and the cost of meeting increased environmental regulations for the disappointing outlook.

Mr John Hall, chairman and chief executive, said: "Without a marked improvement in refinery margins over the balance of our fiscal year, we will be unable to achieve last year's results for either our fiscal fourth quarter or the year.

"We believe it is prudent to sell some assets in order to maintain our financial flexibility during this difficult period in the industry," he added.

"We have attempted to select assets that are currently providing us with a relatively low rate of return."

Ashland is considering selling its SuperAmerica petrol and convenience stores in Florida and its Arizona highway construction subsidiary. Some smaller assets and parts of other businesses may also be put on the block. The proceeds will be used to cut debt.

Ashland has retained First Boston to advise it on the dispositions.

On Wall Street, shares in Ashland eased $¾ to $27¾ at midday yesterday.

Public offer considered in UPI rescue

MR LEON Charney, a former adviser to the Carter administration who may launch a bid for United Press International, said he was considering a plan to revive the ailing news service through public offerings to subscribers and correspondents, AP-DJ reports. Under the plan, UPI would become a co-operative.

Mr Charney, who recently provided $180,000 to keep UPI operating until June 22, yesterday met in Amsterdam with a representative of the National Postal Lottery, which may pump as much as $3.5m into UPI under a proposed rescue plan. The foundation raises money through lottery sales.

The Dutch foundation's efforts are being led by Mr Bob Goldner, a former UPI executive, and Mr Julian Isherwood, a UPI journalist based in Copenhagen.

It expects a restructured UPI to expand coverage of environmental and Third World issues.

Mr Charney said an investment by the Dutch foundation, if it materialised, would provide funds to keep the news wire running for an extended period while detailed plans for a public offering could be worked out.

Woolworth steps up European drive

By Karen Zagor

WOOLWORTH, the large US retail group, said yesterday it would accelerate its plans to expand in Europe by opening at least 890 Foot Locker athletic footwear and apparel stores in the next eight years.

The company, whose businesses range from general merchandise stores to specialty chains, has 110 Foot Locker stores in seven European countries, including Belgium, England and Germany. It said it expected to open about 60 new stores by the end of this year.

Woolworth had planned for about 1,000 Foot Locker stores in Europe in the next 10 to 15 years. The company has estimated that these could bring in up to $2bn in annual sales.

Speaking at a shareholders' meeting in North Carolina Mr Harold Sells, chairman and chief executive, said conditions in the athletic footwear market in Europe were similar to the North American market about 15 years ago. Between 1983 and 1990, Foot Locker sales quadrupled to $1.5bn, although the rate of growth has slowed since then.

As the US athletic shoe market nears saturation, expansion into untapped markets overseas has long seemed the logical next step. Mr Sells said Foot Locker might also expand into the former eastern bloc countries and the Pacific Rim.

Woolworth's strength as a specialty athletic shoe retailer has been in marked contrast to the recent performance of its more general retailing operations.

At the beginning of this year, Woolworth said it would overhaul its operations by selling or re-deploying 900 poorly-performing stores and eliminating 10,000 jobs.

Top Japanese brokers expect return to profits

By Robert Thomson in Tokyo

JAPAN'S leading four brokers reported generally lower profits from their overseas operations last year, adding to the bruises they suffered on the Tokyo stock market.

While Nomura Securities was the only one of the quartet to report a consolidated after-tax profit last year, all four brokers optimistically expect a return to profits this year, in spite of the continuing market weakness.

Daiwa Securities, which reported stronger overseas earnings, and Nikko Securities both managed to report consolidated pre-tax profits. Yamaichi Securities reported both before and after-tax losses for the year to the end of March.

Nomura, the largest Japanese broker, said the combined pre-tax profit of its overseas subsidiaries fell 59.1 per cent to Y8.8bn ($69.29m), leaving a group profit of Y46.2bn, down 81.2 per cent.

However, the company, as it did for parent profits, predicted a turnround for the coming year, forecasting a 41 per cent increase in consolidated profit to Y65bn.

In explaining its 58.4 per cent increase in the earnings at overseas subsidiaries, Daiwa said it had done well in US Treasury bonds and in mortgage-backed securities. But the group was still dominated by the parent's problems at home and reported an 84 per cent plunge in pre-tax profit to Y20.3bn.

Nikko reported a 20.5 per cent fall in the earnings of its overseas subsidiaries and an 89.3 per cent fall in group pre-tax profit to Y8.6bn, while Yamaichi announced a 4.6 per cent decline in overseas subsidiaries' profit and a loss of Y30.5bn, compared with a pre-tax profit of Y71.6bn in the previous year.

Each of the brokers hoped for a revival of the Tokyo market to produce an upturn in profits this year, but the continuing weakness of the Nikkei average and low turnover is likely to have left them with far worse than expected results for the first quarter, ending this month.

Electricorp static at NZ$407m

By Terry Hall in Wellington

ELECTRICORP, the New Zealand state-owned enterprise embroiled in controversy over a crisis in national electricity supplies, yesterday announced net profits of NZ$407m (US$226.1m) for the year to March 31 compared with NZ$404m a year earlier.

It warned that profits could drop to $250m in the current year as it is being forced to maximise the use of expensive coal and oil-powered thermal stations due to near-drought conditions in the South Island's lakes used to supply 60 per cent of the country's electricity.

Critics say Electricorp failed to conserve lake levels in the hope that rains would come, a point the corporation disputes strongly.

Electricorp yesterday signed an agreement under which it will pay Comalco, the Australian aluminium producer, NZ$10m to close one-third of the capacity at its Bluff aluminium smelter. The deal will allow 170MW of power to be diverted for use elsewhere in New Zealand. Comalco and its Sumitomo owners say the partial closure will cost it more than NZ$20m.

There is widespread concern in New Zealand at the effect of the electricity shortage on industry which is working hard to conserve power. However, Mr Jim Bolger, prime minister, has ruled out accepting an official's recommendation that industry go on a four-day working week.

Announcing the latest result, Mr John Fernyhough, Electricorp chairman, said the rate of return on shareholders' funds of 12 per cent was lower than the 12.2 per cent of 1990-91 and was due to delaying power increases and the higher than anticipated fuel costs from December to March due to low hydro-storage levels.

He said extra costs faced by Electricorp this year would be at least $150m because of the crisis. But he said forecasting profits was difficult due to the hydroelectricity problem.

Sydney exchange may join Globex

THE Sydney Futures Exchange is in advanced talks to link it with the Globex after-hours electronic futures and options exchange, Reuter reports.

Mr Gary Ginter, managing director of Globex, said: "It's down to the final strokes of a draft [letter of intent]."

However, the Sydney exchange is unlikely to play an active role in Globex trading until around mid-1994, because the optic fibre line used for transmissions is not due to be laid across the Pacific until then.

Globex – a joint venture between the Chicago Mercantile Exchange and the Chicago Board of Trade, developed with Reuters – is in advanced talks with three different sets of potential member-exchanges, including Sydney and four exchanges in New York, Mr Ginter said. The four exchanges are the New York Futures Exchange, the Cotton Exchange, the Coffee, Sugar and Cocoa Exchange, and the Commodity Exchange.

Fairly advanced talks are taking place with an exchange in Europe, which he declined to name. The Marché à Terme International de France (Matif) has signed as a member and will go live in early 1993.

Nippon Mining dips into red as sales fall

By Robert Thomson in Tokyo

NIPPON Mining, the Japanese petroleum refiner and copper company, reported a consolidated pre-tax loss of Y3.34bn ($26.29m) and indicated that its acquisition of Gould, a US computer and copper company, had been an unexpected burden.

The loss for the year to end-March followed a profit of Y14.9bn in the previous period, while the after-tax loss swelled to Y16.3bn, compared with a profit of Y5.3bn. Group sales fell 12.7 per cent to Y1,052.9bn.

Sales have been falling in Japan, but the biggest problem for the Japanese company has been the Illinois-based Gould, which it said had a Y24.6bn loss because of costs associated with the restructuring of the company.

Gould, purchased in 1988, was intended to be the centrepiece of Nippon Mining's expansion of its overseas operations and its diversification into electronics, but those plans have been compromised by the prolonged slump in the computer and semiconductor markets.

The company admitted that its electronics-related business has been weak and that demand for Gould's copper products has also been less than expected, though it is confident that the liquidation of unprofitable businesses will produce profits this year.

While Nippon Mining's sales were likely to have continued to fall, forecasts for the current year are distorted by a merger with Kyodo Oil, scheduled for December 1. Taking that merger into account, the company is forecasting a pre-tax profit of Y16bn and total sales of Y1,400bn.

● Mr Minoru Nagaoka, Tokyo Stock Exchange chairman, yesterday called on Japanese companies to raise dividends and lower the minimum trading units of their shares to entice investors back to the stock market, Reuter reports.

Japan enacts financial sector reforms

By Emiko Terazono in Tokyo

BARRIERS between Japan's banking and securities business are to be lowered following legislative reform yesterday allowing banks and securities houses to enter each other's businesses.

While banks will not be allowed to enter broking – partly because of strong opposition from the securities industry – the legislative changes symbolise an end to prolonged debate over financial sector reforms.

They come at a tough time for Japanese financial institutions, following sharp falls in the stock and real estate markets.

While banks are considering establishing securities subsidiaries specialising in underwriting as early as next year, brokers, facing severe downturn in profits, are unlikely to have the financial strength to enter the banking arena.

The reform bills also include the establishment of a financial markets watchdog next month. It is to be headed by Mr Toshihiro Mizuhara, superintendent public prosecutor of the Nagoya High Public Prosecutor's Office.

The House of Councillors also passed revisions of the Loan Business Law, which will increase the Finance Ministry's grip on non-bank financial institutions.

Meanwhile, the Japanese insurance industry has presented an advisory report to the Finance Ministry pressing for deregulation Deregulation of life and non-life insurance has lagged behind liberalisation in broking and securities.

Insurance companies also want to enter banking and broking, and are keen to acquire a share of the lucrative underwriting business.

The report also recommends the easing of barriers between life and non-life industries, where both parties can sell accident, illness and nursing insurances.

Proposals for legislative changes are expected to be presented during the ordinary session of parliament in 1994. Although the reforms could be implemented as early as 1995, industry officials are sceptical of an early implementation.

Taiwan loosens grip on China Steel

A $680m rights issue will leave 76% in state hands, writes Luisetta Mudie

THE second part of the partial privatisation of Taiwan's biggest steel group gets under way this month when local investors have the opportunity to apply for a $680m issue of shares.

The issue by China Steel reduces the Taiwan government's stake to 76 per cent. It completes a share disposal programme worth more than $1bn to the government.

In May, 5 per cent of the company was sold to foreign investors in the form of Global Depository Receipts (GDRs).

Other local companies are eager to issue GDRs. President, the privately-owned food group, hopes to sell $100m of GDRs soon. Asia Cement and Chiah Hsin Cement have also submitted applications.

China Steel, Taiwan's only integrated steel mill, was founded in 1971. It grew, with US help, into a vast, sprawling plant worth $5bn and capable of competing in the Japanese market.

Despite the worldwide drop in steel prices, it managed to maintain net margins at 17.4 per cent in 1991. China Steel dominates the local market with a 60 per cent share. It will continue to concentrate on domestic business as demand continues to rise.

The government will retain a controlling stake for at least four years. Privatisation will eventually free China Steel from the onerous process of obtaining parliamentary approval for all big decisions, and bringing new flexibility to financial, personnel and budget management.

Last month, legislators pressured the government into forbidding China Steel from investing in Taiwan Aerospace, saying the move was too far from the corporation's core business to be justified. Taiwan Aerospace was to have invested up to $2bn in McDonnell Douglas, the US aircraft-maker, but it is now doubtful whether the deal will go ahead in its original form.

China Steel is also exploring a joint venture with the Australian steel company BHP to produce coking coal and iron ore, essential raw materials for steel-making.

A planned joint venture to build two new blast furnaces in Malaysia has been shelved indefinitely owing to a lack of government incentives. However, China Steel says it remains open to negotiations with the Lion Group, its proposed partner.

A fourth blast furnace is planned for the Kaohsiung site, and the company will be expanding its rod and bar production capacity, as well as extending its range of value-added products, such as stainless steel. Mainland China might be also be considered as a location for further expansion.

China Steel is already looking ahead to the next share issue. "Maybe if this goes well the government will push out another 20 per cent. From there it would be a small step to moving to a 49 per cent minority government stake," the company said.

Bahrain SE to expand

BAHRAIN'S stock exchange hopes to begin listing foreign companies during the second half of 1992 as part of ground-breaking plans to boost share trading on the Gulf bourse, Reuter reports from Manama.

Mr Fawzi Behzad, head of the stock exchange, said the board was studying detailed regulations for the move, which was planned initially for January.

"I think now we are ready, and I hope before this year ends we will see it happen."

He said officials were also preparing a system which would allow foreign and local debt securities to be traded on the Bahrain exchange, which has 30 listed companies and paid-up capital of about $2.4bn.

Mr Behzad hopes the move will encourage Bahraini companies to begin issuing debt instruments to raise capital.

Bahraini officials were also studying proposals – already approved – for the creation of mutual trust funds, which would indirectly allow foreigners to trade in stock of local companies, he said.

S Korean banking move

SOUTH KOREA is to allow the creation of joint-venture merchant banks with foreign partners for the first time in 13 years, AP-DJ reports from Seoul.

The Ministry of Finance said up to three merchant banks would be set up this year to "accelerate the deregulation of the financial industry".

It said each of the new merchant banks would be capitalised at $38.5m. Domestic financial institutions, mostly banks and insurance firms, must own more than 50 per cent of the joint ventures, it said.

Foreign financial institutions will be able to make an equity participation of between 10 and just less than 50 per cent.

The ministry said it would give preference to applicants wishing to help small and medium-sized companies move their plants to China, eastern Europe and the former Soviet Union.

According to reports, several conglomerates, including Samsung and Lucky-Goldstar, have sought to set up merchant banks with foreign banks.

Italian seesaw continues as fears of devaluation persist

By Richard Waters in London and Patrick Harverson in New York

ITALIAN government bond prices leapt and then plummeted yesterday in a second day of highly-volatile trading as the Bank of Italy failed to lift the spectre of devaluation from the market.

GOVERNMENT BONDS

Bond prices opened lower on continuing fears about the outcome of the Irish referendum on the Maastricht agreement, but jumped later in the morning as Mr Giuliano Amato was asked to form a government, raising some hopes that Italy will finally tackle its constitutional crisis.

The market took further heart from reports that the Finance Ministry is considering abolishing the 12.5 per cent withholding tax paid by foreigners on government bonds. "We've heard before that they're thinking about this," said one sceptical observer. "They don't yet have a treasury minister, and when they do, he will have more urgent things to think about than withholding tax."

The market's confident mood did not last. A sharp rise in the rate paid at the morning repurchase auction (the minimum rate was 14.8 per cent, up from 14.3 per cent yesterday) sent a strong signal of the Bank of Italy's intention of protecting the lira. But that didn't stop the currency falling back later, raising fears that the authorities will be forced over the weekend to raise the discount rate.

The sharp price movements were reflected in the futures contract on Liffe. Having opened at 95.46, the contract leapt to 95.71 before sliding down to 94.98. It ended the day back at around 95.28.

■ LONGER-dated UK government bonds fell slightly as the market trod water, waiting for the result today of the Irish vote on the Maastricht agreement.

Early rumours that the Irish had followed the Danes in voting 'no' were largely disregarded, but did not help the mood – particularly as the gilt market is already waiting nervously on next week's £2.75bn gilts auction.

Against that background, mildly encouraging earnings data (average earnings rose by 7 per cent in the year to April, down from 7.5 per cent in March) failed to lift the market's spirits. The 9 per cent bonds due 2011 lost ¼ of a point to 99$\frac{11}{32}$, a yield of 9.03 per cent, although shorter-dated gilts held steady.

■ US monthly trade deficit and weekly jobless claims data that was mildly bullish for Treasury markets gave a modest boost to bond prices yesterday morning.

By midday, the benchmark 30-year government bond was up $\frac{1}{8}$ at 102$\frac{9}{32}$, yielding 7.795 per cent. The two-year note was also firmer at midsession, up $\frac{1}{32}$ at 100$\frac{15}{32}$, to carry a yield of 4.885 per cent.

Investors reacted positively to the news that the trade gap widened to $6.97bn in April, with exports falling and imports rising only slightly, due primarily to higher oil prices.

The figures, along with the much smaller-than-expected 2,000 decline in jobless claims for the first week of June, confirmed that the economy is recovering only slowly.

Treasury prices were also said to have been supported by expectations of a "flight to quality" by equity investors scared away from stocks by the steady recent decline in share prices.

■ THE continuing collapse in Tokyo share prices helped to fuel expectations of a more relaxed monetary stance from the Bank of Japan, prompting buying of short-dated paper in particular.

Mr Yasuchi Mieno, Bank of Japan governor, had continued to stress on Wednesday that there would be no change in the authorities' stance: but the damage done by falling share prices on the banking system and hence the supply of credit left many convinced Mr Mieno would have no choice but to change his official position soon.

The yield on the benchmark bond No 129, which closed on Wednesday with a yield of 5.405 per cent, fell further to 5.385 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.9377	+0.550	8.81	8.94	9.07
BELGIUM		9.000	06/01	100.4000	-	8.93	8.90	8.79
CANADA *		8.500	04/02	102.4000	-0.300	8.14	8.28	8.43
DENMARK		9.000	11/00	99.1500	-0.130	9.13	8.98	8.79
FRANCE	BTAN	8.500	03/97	97.8351	-0.294	9.03	8.92	8.73
	OAT	8.500	11/02	97.9900	-0.410	8.78	8.74	8.53
GERMANY		8.000	01/02	100.1500	-0.040	7.96	7.91	7.96
ITALY		12.000	05/02	95.1800	-0.340	13.28†	13.17	12.54
JAPAN	No 119	4.800	06/99	95.9495	+0.146	5.61	5.72	5.47
	No 129	6.400	03/00	105.5531	+0.138	5.39	5.47	5.47
NETHERLANDS		8.250	02/02	99.7100	-0.100	8.28	8.27	8.31
SPAIN		11.300	01/02	98.0280	-0.325	11.62	11.51	10.82
UK GILTS		10.000	11/96	102-28	+1/32	9.18	9.23	9.15
		9.750	08/02	103-25	-2/32	9.17	9.14	9.04
		9.000	10/08	99-19	-6/32	9.05	9.02	8.91
US TREASURY *		7.500	05/02	102-05	+6/32	7.19	7.32	7.23
		8.000	11/21	102-09	+10/32	7.80	7.87	7.79
ECU (French Govt)		8.500	03/02	97.0200	+0.120	8.96	8.95	8.89

London closing, *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

Rome may exempt foreigners from withholding tax

By Haig Simonian in Milan

The Italian Treasury is studying ways of issuing bonds free of withholding tax for foreign investors, according to a senior Finance Ministry official.

Although the scheme is not new, the news had an immediate effect on the market, which has been extremely sensitive recently. Trading in Italian government bonds has been highly volatile for the past two weeks following growing political uncertainties about Italy's ability to meet the EC's convergence criteria for Economic and Monetary Union.

However, the notion of issuing debt free of withholding tax for foreigners is fraught with difficulties, and may even be impossible. Paying coupons gross to foreign investors would lead to the creation of two markets for Italian government paper. A German attempt in the late 1980s to introduce withholding tax on domestic government debt proved short-lived owing to technical difficulties. Such complexities would be even greater in the case of Italy, where interest on government bonds is paid on an accrued basis rather than as a lump sum on the coupon date.

The Finance Ministry said the step was being considered in view of repayments of withholding tax made to foreign bondholders in recent months.

The decision to start reimbursements provided a considerable fillip to the domestic bond market, which has gained in appeal for foreign investors over the past two years thanks to Italy's relatively high interest rates and a variety of reforms which have improved liquidity and trading practices.

The ministry said all outstanding claims on government paper had now been repaid. It implied that the size and number of reimbursements had triggered the Italian authorities to look into ways to streamline the system further, including exempting foreign investors from withholding tax altogether.

CBOE seeks listing for S&P quarterly options

By Barbara Durr in Chicago

CHICAGO Board Options Exchange is seeking approval to list options on the Standard & Poors 100 and 500 indices that expire quarterly. The CBOE already trades S&P 100 and 500 options, but these expire monthly.

The exchange believes that quarterly expirations for these heavily-traded products would help accommodate institutional investors whose performance is judged on a quarterly and yearly basis. Mr Duke Chapman, CBOE chairman, said the move was "in response to customer needs".

The products, referred to as Quarterly Index Expirations, or QIXs, in the filing, would have similar terms to the corresponding regular index options. This means the S&P 100 QIXs would have American style exercise, while the S&P 500 QIXs would have European exercise.

The exchange intends to list the new options for as many as eight quarters.

Asian Bank launches $500m Eurodollar deal

By Simon London

THE Asian Development Bank yesterday launched its first Eurodollar bond issue for four years, raising $500m 10-year funding in a deal lead-managed by Goldman Sachs.

The 7½ per cent bonds were re-offered to investors at a fixed price of 99.492, where the yield was 27 basis points more than US Treasury bonds of the same maturity.

INTERNATIONAL BONDS

Most participants in the deal commented that the pricing was aggressive. On Monday, OKB, the Austrian state-backed financial institution which is one of the most admired names in the Euromarket, launched 10-year paper on a yield spread of 26 basis points.

Eurodollar yield spreads have generally widened this week as institutional investors liquidated holdings of dollar bonds as the US currency weakened on the foreign exchange markets. The OKB bonds, for example, were yesterday trading on a yield spread of around 30 basis points over Treasuries.

However, despite the tight pricing and lacklustre market conditions, the deal sold quickly. Syndicate officials reported buying in equal amounts by institutional investors in the Asia and Europe, including central banks.

"ADB's absence from the Eurodollar market gave this issue a scarcity value," commented one syndicate official. "Investors are tired of buying World Bank and EIB paper."

Like these other supra-national institutions the ADB carries a top triple-A credit rating. However, the EIB and World Bank can both sell bonds at artificially tight yield spreads because their securities are exempt from withholding tax in Italy.

While EIB and World Bank bond issues are supported by a core of tax-driven Italian demand, the ADB issue was supported by buying from the Far East. The bonds traded at a yield spread between 26 and 28 basis points through the day, closing in London in the middle of this range.

The deal was scheduled to be launched early next week, however the market is expecting additional Eurodollar issuance. City of Kobe thought to be the first borrower in the market.

Elsewhere, the ADB also raised Fl 300m 10-year funding yesterday from an issue lead managed by ABN Amro. Syndicate officials reported a warm response from European institutional investors.

General Electric Capital Corporation, the funding arm of the US manufacturer, became the latest borrower to make an underwritten bond issue under the legal documentation of its medium term note programme.

The company launched C$100m five-year paper, underwritten by a syndicate of banks led by Kidder Peabody. The deal carried traditional Eurobond fees of 1¾ per cent. Bankers said that the only difference between the issue and a conventional Eurobond was the documentation.

● China has issued a set of rules to govern the public issue of shares by state industries, Reuter reports from Beijing.

Joint-stock regulations, drawn up by the State Planning Commission, are the first to specify which sections of China's massive state sector will be allowed to turn to private investors for money.

The new rules are part of Beijing's attempt to give more structure to the "stock market fever" which is sweeping China.

Chinese stock markets have been opened in Shanghai and Shenzhen, just across the border from Hong Kong.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Asian Dev.Bank(a)†	500	7½	99.492	2002	0.325/0.2	Goldman Sachs
Cariplo(c)‡†	150	(c)	99.75	1999	20/10	Nomura Intl
Daiwa Intl.Fin.(Cayman)(d)†	78	7½	100	2002	2/1¼	Daiwa Bank
CANADIAN DOLLARS						
GECC(b)†	100	8	101.575	1997	1⅞/1⅝	Kidder Peabody Intl.
GUILDERS						
Asian Dev.Bank(a)†	300	8⅜	100.90	2002	1/⅝	ABN Amro

*Private placement. §Convertible. ¶With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Part of its global MTN programme. Non-callable. c) Coupon pays 6 month Libor plus 25bp. Non-callable. d) Callable at par on coupon dates from 30/6/97. If call option not exercised the deal will pay a Floating rate note coupon of 6 month Libor plus 65bp.

ADB signals start of borrowing programme

By Simon London

AN increasingly ambitious borrowing programme was marked yesterday by the Asian Development Bank.

This year, the ADB hopes to borrow over $3bn from the capital markets. This is expected to increase by around $500m a year over the next few years. Until last year, the bank borrowed under $1bn annually.

Increased borrowing partly reflects increased lending to the developing nations of Asia. Demand for loans has increased with the pace of economic development. Loan disbursements were over $2bn last year, against just $600m in 1986.

The ADB was also able to fund some lending from excess liquidity built up during the mid-1980s.

Mr Rip Min, assistant treasurer, said excess liquidity resulted from a change in the bank's lending terms in 1986 when it moved from making fixed to mostly variable rate loans.

The change was designed to limit the bank's own refunding risk, by ensuring that its return from lending was always in line with its cost of funds. Since market risk was lower, lending margins were cut.

As margins were reduced, borrowers pre-paid outstanding loans, leaving the ADB with a substantial over-hang of liquidity which is only now back to the pre-1986 level.

The ADB currently makes "hard loans" to development projects at a margin of 40 basis points over its cost of funds.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on June 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105¾	106⅛	-⅛	6.13
ALBERTA PROVINCE 9 3/8 95	600	109¼	109½	+⅛	6.21
AUSTRIA 8 1/2 00	400	106¾	106⅞	+⅛	7.36
BANK OF TOKYO 8 3/8 96	100	104½	105¼		6.97
BELGIUM 9 5/8 98	250	111½	111⅞	+⅛	7.21
BFCE 7 3/4 97	150	103⅝	104		6.87
BNP 8 5/8 94	300	106¼	106⅝	+⅛	5.42
BRITISH GAS 8 3/8 99	350	105½	106	+⅛	7.36
CANADA 9 96	1000	109	109¼	+⅛	6.18
CCCE 9 1/4 95	300	108¼	108⅝		5.84
CA NAVIERA PEREZ 9 96	100	99⅝	99⅞		9.38
COUNCIL EUROPE 8 96	100	103⅞	104½		6.88
CREDIT FONCIER 9 1/2 99	300	111¼	111⅝	+⅛	7.30
DENMARK 8 1/4 94	150	105½	105⅞	+⅛	5.47
DENMARK 9 1/4 95	1571	108¼	108⅝	+⅛	5.90
ECSC 8 1/4 96	193	105⅝	106¼	+⅛	6.73
EEC 8 1/4 96	100	105⅝	106¼		6.61
EIB 7 3/4 96	250	104⅝	105¼	+⅛	6.42
EIB 9 1/4 97	1000	110⅝	111	+⅛	6.82
ELEC DE FRANCE 9 98	200	108¾	109¼	+⅛	7.08
EURO CRED CARD TST 9 94	325	105⅝	106¼		6.30
EUROFIMA 9 1/4 96	100	108⅝	109¼	+⅛	6.55
EXPORT DEV CORP 9 1/2 98	150	111	111⅜	+⅛	7.20
FINLAND 7 7/8 97	200	103¼	104	+⅛	7.01
FINNISH EXPORT 9 3/8 95	200	109¼	109½	+⅛	6.25
FORD CAPITAL 9 3/4 97	250	109	109⅜	+⅛	7.51
GEN ELEC CAPITAL 9 3/8 96	300	109½	110	+⅛	6.58
GMAC 9 1/8 96	200	106½	107¼	+⅛	7.07
GUINNESS FINANCE 8 94	200	104½	105		5.62
IBM INTL FIN 7 3/4 94	200	104¼	104½	+⅛	5.31
IND BK JAPAN FIN 7 7/8 97	200	102¾	103⅜	+⅛	7.17
INTER AMER DEV 7 5/8 96	200	104	104½		6.50
ITALY 8 1/2 94	1500	106¼	107	+⅛	5.35
JAPAN DEV BK 8 94	150	104¼	105¼		5.33
KANSAI ELEC PWR 10 96	350	111¼	111⅝	+⅛	6.57
LTCB FIN 8 97	200	102⅞	103⅛	+⅛	7.25
NEW ZEALAND 9 94	850	106⅞	107¼	+⅛	5.57
NIPPON CRED BK 10 3/8 95	150	109½	110½		6.82
NIPPON TEL & TEL 9 3/8 95	200	108¼	108⅝		5.96
ONTARIO 8 1/2 01	600	103⅝	104	+⅛	7.90
ONTARIO HYDRO 11 5/8 94	200	109¼	110	+⅛	5.53
OSTER KONTROLLBANK 8 1/2 01	200	105⅜	106¼	+⅛	7.57
PETRO-CANADA 7 1/4 96	200	102¼	103		6.61
QUEBEC HYDRO 9 3/4 98	150	110¼	110⅞		7.65
QUEBEC PROV 9 98	200	106⅞	107½	+⅛	7.48
SAINSBURY 9 1/8 96	150	107¾	108¼	+⅛	6.96
SAS 10 99	200	107½	108½	+⅛	8.47
SBAB 9 1/2 95	500	108¼	109¼	+⅛	6.16
SNCF 9 1/2 98	150	111	111½	+⅛	7.20
STATE BK NSW 8 1/2 96	200	105¼	105⅝	+⅛	7.00
SWEDISH EXPORT 8 3/8 96	700	106½	106⅞	+⅛	6.39
TOKYO ELEC POWER 8 3/4 96	300	107⅝	107¾	+⅛	6.66
TOKYO METROPOLIS 8 1/4 96	200	105⅞	106¼	+⅛	6.65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94¾	95¾		9.88
COPENHAGEN TEL 8 5/8 96 LFr	600	98¾	99¾		9.15
WORLD BANK 8 96 LFr	1000	96⅞	97⅞		8.98
ENERGIE BEHEER 8 3/4 98 Fl	500	103⅜	103⅝		8.09
UNILEVER 9 00 Fl	500	105¼	105⅝		8.11
ALBERTA PROVINCE 10 5/8 96 C$	500	107⅞	108¼		8.02
BELL CANADA 10 5/8 99 C$	150	109	109½	+⅛	8.85
BRITISH COLUMBIA 10 96 C$	500	106⅛	106⅝		8.13
EIB 10 1/8 98 C$	130	107	108	-⅛	8.51
ELEC DE FRANCE 9 3/4 99 C$	275	106¾	106⅞		8.52
FORD CREDIT CANADA 10 94 C$	100	104¼	105		7.81
GEN ELEC CAPITAL 10 96 C$	300	106¼	106⅝		8.13
KFW INT FIN 10 01 C$	400	106⅞	107⅜		8.82
NIPPON TEL & TEL 10 1/4 99 C$	200	107⅝	108¼	-⅛	8.78
ONTARIO HYDRO 10 7/8 99 C$	500	109⅝	110	+⅛	8.91
OSTER KONTROLLBANK 10 1/4 99 C$	150	108½	109		8.59
QUEBEC PROV 10 1/2 98 C$	200	107¾	108¼	+⅛	8.85
BELGIUM 9 1/8 96 Ecu	1250	100	100¼		9.10
CREDIT LYONNAIS 9 96 Ecu	125	98¼	99¼	+⅛	9.55
DENMARK 7 5/8 96 Ecu	250	93⅝	94⅛	-⅛	9.76
EEC 7 5/8 94 Ecu	200	96⅝	97⅛		9.84
EIB 10 97 Ecu	1125	103⅜	103⅝		9.05
FERRO DEL STAT 10 1/8 98 Ecu	500	102⅝	102⅞		9.47
ITALY 10 3/4 00 Ecu	1000	107⅞	108¼	+⅛	9.28
UNITED KINGDOM 9 1/8 01 Ecu	2750	100⅞	100⅞	+⅛	8.98
BP AMERICA 12 1/4 96 A$	100	110⅞	111⅜		8.67
COMM BK AUSTRALIA 13 3/4 99 A$	100	121¼	121½	+⅛	9.56
EKSPORTFINANS 12 3/8 95 A$	75	112⅛	112⅝	-⅛	7.59
EUROFIMA 14 5/8 94 A$	75	113⅜	113⅝	+⅛	6.95
MCDONALDS CANADA 15 95 A$	100	117¾	117⅞		8.32
NAT AUSTRALIA BANK 14 3/4 94 A$	150	111¼	111⅝	-⅛	7.31
STATE BK NSW 14 1/4 99 A$	100	122⅝	123⅛	+⅛	9.74
UNILEVER AUSTRALIA 12 98 A$	150	112⅝	112⅞	+⅛	9.11
VOLKSWAGEN INTL 15 94 A$	100	112⅝	112⅞	-⅛	7.58
ABBEY NATL TREAS 13 3/8 95 £	100	108	108⅜		9.79
ALLIANCE & LEICS 11 3/8 97 £	100	104⅜	104⅞		10.18
BRITISH GAS 12 3/4 95 £	300	106⅝	107		9.74
BRITISH LAND 12 1/2 16 £	150	106⅛	106⅝	-⅛	12.04
DEUTSCHE BK FIN 11 94 £	225	101⅝	102		9.76
EIB 10 97 £	636.5	102¼	102⅝		9.35
FINLAND 10 1/8 97 £	100	102⅜	102⅞	+⅛	9.45
ITALY 10 1/2 14 £	400	104⅜	105¼	-⅛	9.95
LAND SECS 9 1/2 07 £	200	90⅝	91⅛	-⅛	10.77
NORWAY 10 1/2 94 £	200	101½	101⅞	+⅛	9.49
ONTARIO 11 1/8 01 £	100	107½	107⅞		9.78
SEVERN TRENT 11 1/2 99 £	150	106½	106⅝	+⅛	10.21
SKANDINAVISKA ENSK 13 1/8 95 £	100	106½	107		10.18
TOKYO ELEC POWER 11 01 £	150	107⅞	108¼	-⅛	9.65
WORLD BANK 11 1/4 95 £	100	104½	104⅝		9.54
BNP 12 96 NZ$	50	111	112	-⅛	8.50
WORLD BANK 14 94 NZ$	75	109⅝	110⅝		7.56
CEPME 10 95 FFr	2000	101⅞	102⅛	-⅛	9.26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FLOATING RATE NOTES					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CONVERTIBLE BONDS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	28	50
Other Fixed Interest	2	3	12
Commercial, Industrial	97	593	751
Financial & Property	33	353	409
Oil & Gas	7	35	44
Plantations	1	0	8
Mines	16	49	88
Others	16	62	55
Totals	175	1,123	1,417

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am't Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	288	257	Brazilian Inv Tst Units	257	-10	-	-	-	-
-	F.P.	-	4	2	Brent Walker Wts to Sub	3		-	-	-	-
-	FP	-	32	31	Dwyer A	31		-	-	-	-
-	F.P.	-	106	103	Grosvenor Inns	103		H4.0	-	5.2	-
75	F.P.	-	90	81	♦Hughes (T.J)	81		W2.25	2.2	3.7	16.7
110	F.P.	-	155	143	Industrial Control Servs	150	-5	R3.6	2.0	3.2	16.9
£10⅝	F.P.	-	£12⅛	£10½	Latin Am Inc & Appr. 1c	£10½		-	-	-	-
-	F.P.	-	41	34½	M & G Recovery Inc.	40½		F3.75	-	12.3	-
-	F.P.	-	25½	12½	Do. Capital	23½	-½	-	-	-	-
-	F.P.	-	65	46½	Do. Geared Units	64½		F3.75	-	7.8	-
-	F.P.	-	122	96	Do. Package Units	122		F3.75	-	4.1	-
-	F.P.	-	11	½	Multitrust Warrants	11		-	-	-	-
§122	FP	-	138	135	Vega	135		L2.29	1.9	2.3	20.3
-	F.P.	-	26½	22½	Welpac (RFD)	24		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
-	F.P.	-	15p	8p	Brent Walker Var Rte 2nd Prf '00/07	12p	
-	F.P.	-	12p	5p	Do.8½pc 3rd Non-Cum Cnv Prf 2007/10	6p	
-	F.P.	-	100½p	100½p	Caspen Oil 11%-Cnv ULS 94/97	100½p	
100p	F.P.	-	105¾p	102½p	Commercial Union 8¾pc Cnv Ird Pf	105¾p	+¼
-	F.P.	-	59¼p	48½p	M & G Recovery Zero Div Prf 1p	59p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
285	Nil	9/7	64pm	29pm	BICC	35pm	-1
200	Nil	22/7	41pm	15½pm	Blue Circle	18½pm	-2½
230	Nil	30/6	45pm	30pm	EMAP	37pm	-7
14	Nil	16/7	4pm	1¼pm	Eadie	1¾pm	
43	Nil	-	18pm	15pm	♦Essex Furniture 5p	18pm	
5	Nil	15/7	¾pm	¼pm	Europa Minerals 2p	¼pm	
37	Nil	19/6	¾pm	¼pm	Falcon Inv. Trust Inc.	¼pm	
75	Nil	21/7	15pm	1½pm	Marshalls	1½pm	-½
190	Nil	22/7	43pm	37pm	Pittencrieff 10p	37pm	-1
280	Nil	24/6	228pm	90pm	♦Proteus Intl	102pm	-18
15	Nil	22/7	9pm	4pm	♦TLS Range	4pm	
400	Nil	10/7	110pm	45pm	Transfer Technology	45pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings June 8
● Last Dealings June 19
● Last Declarations Sept. 3
● For settlement Sept. 14

3-month call rate indications are also shown on this page.

Calls in Cray Elects., Ibstock Johnsen, Proteus Intl., Paion and Wace. Puts in Kalamazoo. Doubles (Puts and calls) in Aran Energy and BP.

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*644)	600	55	78	87	3½	12	18
	650	19	44	56	18	31	37
	700	6	23	34	59	63	67
ASDA (*34)	30	4½	7	9	3	4	5
	35	2½	5½	7	5	6½	8
	40	1½	3½	5	9	11	11½
Brit. Airways (*263)	240	28	38	43	3	7	11
	260	13	26	31	8	15	19
	280	5	16	21	20	26	31
SmKl Beecham A (*862)	800	77	99	118	3½	17	25
	850	35	67	90	16	33	42
	900	14	42	62	46	61	68
Boots (*445)	420	32	48	55	4	8½	13
	460	7½	23	32	21	25	29
B.P. (*248)	240	15	21	25	3½	9	12
	260	5	11	15	14	19	22
British Steel (*70)	70	4	6½	8	4½	6½	8½
	80	1½	3	4½	11½	13	15
Bass (*603)	600	19	42	49	13	23	32
	650	3½	19	27	50	53	62
C & Wire (*552)	550	15	36	47	21	27	32
	600	3½	16	26	60	62	64
Courtaulds (*558)	550	24	45	58	11	22	28
	600	5	22	34	45	51	55
Com. Union (*491)	460	41	48	60	3	11	14
	500	12	24	35	15	29	32
Fisons (*243)	240	20	34	45	15	24	30
	260	12	27	35	27	35	41
GKN (*387)	360	35	41	50	3	11	15
	390	14	23	33	12	24	29
Grand Met. (*475)	475	15	29	-	12	24	-
	500	6	18	28	29	37	42
I.C.I. (*1234)	1200	57	82	115	14	35	45
	1250	27	55	90	33	65	75
Kingfisher (*522)	500	32	48	62	7½	16	21
	550	6½	22	38	35	42	45
Ladbroke (*207)	200	16	22	26	5½	13	15
	220	5½	13	17	16	24	26
Land Secur (*401)	390	19	34	40	5½	11	13
	420	5	17	22	22	26	29
M & S (*333)	330	13	25	32	7½	13	16
	360	2½	11	18	29	30	32
Sainsbury (*461)	420	49	61	69	1½	5	8½
	460	16	33	43	9½	17	21
Shell Trans. (*505)	500	17	28	39	8½	19	22
	550	1½	9	17	47	52	52
Storehouse (*145)	140	8	15	19	6	9	12
	160	2	7	11	20	22	24
Trafalgar (*113)	110	12	18	22	5	10	14
	120	6	13	17	10½	17	20
Utd. Biscuits (*361)	360	22	25	31	8	16	19
	390	3	12	17	33	35	36
Unilever (*935)	900	50	78	94	6½	17	24
	950	18	47	65	25	37	43

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero (*276)	260	30	37	50	11	20	27
	280	19	25	37	19	31	37
	300	12	18	32	32	46	50
BAA (*668)	650	38	63	73	14	22	29
	700	14	35	47	40	45	49
	750	4	18	29	85	85	86
BAT Inds (*756)	750	34	52	70	29	41	43
	800	13	30	46	63	70	75
	850	4½	16	29	107	109	110
BTR (*470)	460	28	36	45	11	18	20
	500	8	16	26	33	40	41
	550	1½	5½	12	80	80	81
Brit. Telecom (*343)	330	20	25	30	9	14	18
	360	5½	12	17	29	32	34
Cadbury Sch (*466)	460	24	37	50	13	21	24
	500	8	20	30	39	43	46
Eastern Elec (*277)	260	19	25	30	6	9	13
	280	6	16	20	18	20	23
Guinness (*572)	550	40	57	68	10½	20	22
	600	15	30	42	36	44	47
GEC (*226)	220	11	16	20	9	11	13
	240	3½	7½	11½	24	25	26
Hanson (*209)	200	16	21	25	4	6	9½
	220	6	10½	13	13	17½	20
LASMO (*198)	180	30	39	46	8	15	18
	200	18	27	36	18	25	30
Lucas Inds (*124)	120	11	16	18	5	10	12
	130	6	11	13	12	17	18
P. & O. (*460)	460	25	33	44	19	34	38
	500	10	19	28	46	61	64
Pilkington (*130)	130	10	17	20	8½	12	14
	140	5½	12	16	15	18	19
Prudential (*241)	240	14	19	25	8½	13	15
	260	5	11	16	21	25	27
R.T.Z. (*620)	600	40	59	72	13	25	30
	650	15	32	46	40	50	55
Scot. & New (*457)	420	43	51	-	6	12	16
	460	14	28	36	25	31	32
Tesco (*277)	260	25	32	38	4	7	9
	280	12	19	26	10	14	17
Thames Water (*415)	390	35	48	53	4½	9	13
	420	15	29	34	14	20	24
Vodafone (*336)	330	22	34	40	11	17	21
	360	8½	20	26	30	33	36

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Abbey Nat. (*275)	260	19	25	34	1	6½	9½
	280	4	14	23	6½	15	18
	300	1	7	15	24	28	30
Amstrad (*39)	35	5	8½	10	1½	3½	5
	40	2	6	8	3	6	8
	45	1	4	6	8	9	11
Barclays (*333)	300	35	41	46	1	6	8½
	330	8	19	27	5	17	21
	360	1	7	15	29	39	41
Blue Circle (*218)	194	26	31	36	1	4	7
	213	8	18	24	2	10	14
	232	1	6½	14	16	22	26
British Gas (*246)	240	9	19	22	2	6	12
	260	1	8	11½	14	18	23
Dixons (*243)	240	9	18	28	3	15	17
	260	2	10	18	16	25	28
Eurotunnel (*346)	330	25	45	63	5	23	31
	360	5	30	45	23	42	48
Glaxo (*696)	675	28	-	-	4	-	-
	700	12	52	70	14	43	60
Hillsdown (*158)	140	22	26	31	1	3	5
	160	4	13	17	5	8½	12
Lonrho (*80)	80	3	8	12	3½	7½	10
	90	½	4½	8	12	15	17
Midland Bk (*420)	420	8	27	37	9	17	24
	460	1	10	18	40	41	47
National Power (*237)	235	5	13	-	2	13	-
	255	1	-	-	19	-	-
Reuters (*1094)	1050	53	98	135	4	30	48
	1100	16	70	107	21	53	67
R. Royce (*161)	160	4½	12½	17	3½	10	12½
	180	1	5	9	20	22	24
Scottish Power (*180)	180	2½	10	11½	3	10½	11
	190	1	5½	7½	11	17	18
Sears (*89)	80	11	14	16	1	3	5
	90	2½	7½	9½	3	6½	8½
Forte (*208)	200	10	20	23	2½	8	10
	220	2	9	15	15	17	21
Thorn EMI (*817)	769	52	61	-	1½	15	-
	819	10	27	-	10	39	-
TSB (*135)	130	9	12	16	1½	5½	7½
	140	2	6½	11	6	11	13
Vaal Reefs (*551)	50	3	5	8	2	5	5½
	60	1	2	3½	10	11½	12
Wellcome (*918)	900	33	75	108	9	32	52
	950	5	46	83	35	57	78

EURO FT-SE INDEX (*2568)

	2375	2425	2475	2525	2575	2625	2675	2725
CALLS								
Jun	188	138	88	38	4	1	½	½
Jul	201	153	107	68	37	17	7	3
Aug	-	177	-	98	-	43	-	14
Sep	-	187	-	111	-	55	-	24
Dec	-	245	-	175	-	120	-	68
Mar	-	288	-	220	-	160	-	110
PUTS								
Jun	½	½	2	4	25	68	118	168
Jul	3	8	13	23	44	75	113	156
Aug	-	16	-	37	-	85	-	155
Sep	-	20	-	41	-	84	-	150
Dec	-	35	-	58	-	95	-	150
Mar	-	50	-	75	-	110	-	150

FT-SE INDEX (*2560)

	2400	2450	2500	2550	2600	2650	2700	2750
CALLS								
Jun	161	111	61	17	1½	½	½	½
Jul	181	135	91	55	27	11	4	2
Aug	195	153	115	81	53	31	16	8
Sep	210	169	133	100	72	48	32	19
Dec †	263	-	198	-	127	-	76	-
PUTS								
Jun	½	½	1½	9	45	95	145	195
Jul	6	9	16	32	62	99	149	199
Aug	12	18	31	48	73	105	149	199
Sep	18	26	39	58	80	110	152	200
Dec †	30	-	60	-	103	-	167	-

June 18 Total Contracts 39,745
Calls 19,357 Puts 20,388
FT-SE Index Calls 8,787 Puts 13,034
Euro FT-SE Calls 807 Puts 1,851
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry mths
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p								
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	■ OILS	
Amstrad	6	Courtaulds	43	Lex Service	22	TI	65	Aviva Pet	25
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	BP	18
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Burmah Castrol	48
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Conroy Pet	8½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Gaelic Res	½
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Premier Cons	2¾
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Shell	36
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	Tusker Res	½
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		■ MINES	
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18	RTZ	47
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
BT	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		
Charter Cons.	37	Ladbroke	18	Sears	8½				

COMPANY NEWS: UK

Manweb advances to £95m

By Juliet Sychrava

MANWEB, the Chester-based regional electricity company, raised pre-tax profits by 61 per cent from £58.9m to £94.7m in the year to March 31.

Like the other regional electricity companies, Manweb earned most of its bumper profit from price increases in April 1991, which were exceptionally high to compensate for undercharging the year before.

In addition, Manweb said, the comparable profits were depressed by exceptional costs. Excluding these effects, profits would have increased by only 26 per cent.

Earnings per share rose by 60 per cent to 58.7p (36.7p) and by 71 per cent on the pro forma figure of 34.3p. The dividend is raised by 14 per cent to 18.25p for the year, via a final of 12.8p (11.2p).

The advance in operating profit to £93.2m (£56.8m) was earned in the core distribution business, which increased its contribution by 83 per cent to £106.3m.

This was despite a 0.75 per cent decrease in units of electricity sold, as recession depressed industrial sales.

The company saved £10.2m in operating costs, mainly by shedding 1,000 jobs, or nearly 18 per cent of its workforce.

In the supply business, however, an unforeseen £11m increase in costs gave a loss of £5.3m, rather than the £6m profit the company had expected.

The retail division lost £1m, about the same as the previous year, and contracting was also loss-making.

Manweb's strong cash flow paid for capital investment of more than £60m, slightly down on the previous year. Gearing was down from 27.9 per cent to 13.3 per cent, and the return on capital was 19.6 per cent on an historic cost basis.

Continued cost cutting is expected to save between £3m and £4m via about 150-200 more job losses. Both the supply and retail businesses are expected to move into profit, and electricity sales are forecast to grow by about 1 per cent.

● COMMENT

Manweb rather disingenuously based its demonstration that its underlying profit growth was only 26 per cent on actual *tax and interest figures for the* year to March 1991, rather than the pro forma figures which should be the basis of an accurate comparison of the two years. In fact, underlying growth is closer to 35 per cent.

That said, Manweb's defence against the regulator was very sound. It has slashed costs dramatically, and has detailed plans for investment in the core business – capital expenditure is due to rise to maybe £85m next year. The only worry is that a company with a reputation for prudence should have failed – unlike East Midlands and Norweb – to foresee the increase in charges that pushed the supply business into loss. The City will be hoping that it fulfils its hopes of turning this and the retail business around next year.

The company has forecast real dividend growth of 5-7 per *cent in the period to* 1995, as this year's profits were a one-off. Analysts predict pre-tax profits of £105m-£110m for the year to March 1993, putting the company on a prospective p/e of about 5.1.

Brent Walker deeper in loss at £387m

By Maggie Urry

MR KEN Scobie, chief executive of Brent Walker, said that yesterday's results were not as bad in cash terms as they looked.

Although there was a pre-tax loss of £387.2m (£122.7m), £157.8m of the £235.8m interest charge was converted into term debt. The interest charge reflected the impact of higher interest rates imposed by the banks and a full year of borrowings taken on in 1990.

Also the profits were struck after provisions for the fall in value of properties and other assets of £142.5m (£97.7m).

However, the group has not written down the value of £1.1bn of property assets which are being retained for the long term. These would be worth "significantly" less if they were revalued now but the directors do not expect the fall in value to be permanent.

Group sales were 10 per cent lower at £1.58bn and operating profits were down 55 per cent to £48.4m.

After tax of £7.26m (£19.8m) there were extraordinary charges of £15.8m (£216m) relating to businesses being sold.

Trevor Humphries

Ken Scobie: results not as bad as they looked

The William Hill betting division suffered a fall in sales from £1.5bn to £1.4bn, which Mr Scobie said was a remarkably good performance given the chain's bias towards the south east of England. However, a fall in turnover has a geared effect onoperating profits, he said, which fell from £57.1m to £45.4m. William Hill had had a better start to the current year, he said.

Sales by the public houses division fell from £139.8m to £124.2m and profits from £20m to £13.4m. Within that the Pubmaster chain of pubs held its profits but other businesses weakened.

Mr Scobie said he expected the chain to total 3,000 pubs by the end of this year, and he had a longer-term aim to reach 4,000 or 4,500. Rapid improvements in trade were being seen in pubs which had been refurbished.

Profits from other activities, such as property development, were £1.1m (£34.9m).

The group said its claim for a substantial cut in the price of William Hill, which it bought from Grand Metropolitan in 1989 for £685m, had now gone to an independent expert. Brent Walker has still not paid the final £50m of the purchase price which is accruing interest.

The group is preparing its accounts on a going concern basis. This depends on Grand Metropolitan not demanding payment in full of the £50m and interest, and on the group operating within the terms set by its banks in the restructuring.

FKI profit falls 24% but sales picking up

By Peggy Hollinger

A LONG-awaited business strategy was revealed yesterday at FKI as the electrical engineering company revealed that recession in North America and the UK had sliced 24 per cent off pre-tax profits.

The pre-tax return fell from £40.2m to £30.5m in the year to March 31, on sales 5 per cent down at £739.1m. About 87 per cent of FKI's business is in the UK and North America.

Mr Bob Beeston, the former BTR executive brought in to revive FKI as group managing director, said the company would boost margins through price increases and cost-cutting, rather than chase volume. The aim was to get a 10 per cent return on sales, compared with a current 4 per cent.

Mr Whalley was bullish about the group's prospects. He said there were signs that the US economy – which represents about 40 per cent of FKI profits – was beginning to pick up.

Order intake in four of the group's five businesses – the exception being process control – was between 15 and 30 per cent ahead in the first two months of the current year.

The final dividend is held at 1.3p. Added to the halved interim the total was 2.3p (3.3p). Earnings per share fell from 6.71p to 4.88p.

● COMMENT

The addition of Mr Beeston and his BTR cohorts has done much to restore faith in this company. The revival of the US economy promises good rewards, with the hardware business sitting at the front end of the cycle, while President Bush's negotiations with the Japanese are already benefitting the transplant business. The cost-cutting programme should bring some £5m in savings next year, and help eliminate loss-makers. Forecasts are between £36m and £40m, which on yesterday's price of 77p leaves a p/e of 11 to 13 times. That looks pretty cheap considering the sector average of more than 14 times.

Shanks & McEwan pleases City with 30% rise to £31.1m

By Richard Gourlay

SHANKS & MCEWAN, the waste management company, yesterday reported a 30 per cent increase in profits, after a full year's contribution from Rechem, the hazardous waste company it acquired last year.

The final months of the year were, however, severely hit by recession with volumes of the highest margin wastes particularly affected.

The jump in pre-tax profits from £23.9m to £31.1m on sales 24 per cent higher at £145.8m nevertheless pleased the market, which had been anticipating a poorer performance, and the shares rose 9p to 207p.

Earnings per share fell from 13.2p to 11.9p and the the final dividend is maintained at 3.44p, giving a total of 5.7p, up 3.6 per cent on the year.

Mr Peter Runciman, chairman, said that while profit margins had been eroded the longer-term prospects were "extremely encouraging."

Total tonnage handled in the waste division rose by 2 per cent but margins were eroded and its profits contribution fell from £12.65m to £12.55m.

The environmental services division, which includes Rechem, increased tonnage handled by 13 per cent but processing cost rises were not fully recovered and profits rose only 10 per cent to £9.54m.

The technical services, or waste treatment division, increased sales by 18 per cent but profits were only marginally up at £3.59m.

The construction division increased its contribution from £1.72m to £2.67m.

There was also a £3.8m one off increase in debt from the Inland Revenue's request for corporation tax payments to be accelerated.

● COMMENT

Shanks & McEwan used to be seen as the Rolls-Royce of a racy industry with equally racy ratings. Then last year the sector lost some of its glister, not because its green credentials faded, but because the markets belatedly realised waste volumes and profits were not recession proof. Nevertheless, longer term Shanks is a company that will reap the benefit of increasingly stringent environmental legislation. While the waste treatment division could still do with some bolstering, its landfill sites have relatively exclusive market positions and the Rechem acquisition has brought a vital presence in hazardous waste. But growth will only resume rapidly once the economy begins to move again. Shanks's costs are largely fixed and there is therefore little prospect of further cost cutting to boost earnings dramatically this year. Pre-tax profits are forecast not much higher than this year's £31.1m, giving about 12p of earnings again, and puts Shanks, in the absence of recovery, on a correctly priced 17.3 multiple.

Chloride falls sharply to £0.59m

By Peter Pearse

MR RAY HORROCKS, chairman of Chloride, said yesterday that the batteries and electronics company was now "off the defensive", as it reported a sharp fall in pre-tax profits from £5.05m to £588,000 for the year to March 31.

The world recession hit all the group's main markets, particularly in uninterruptible power supplies and emergency lighting, which depend on the computer and construction industries respectively.

He added that exchange rates hit the results hard, because of currency depreciations in Zambia, Zimbabwe and Kenya. At last year's rates pre-tax profits would have been £2.49m.

On the slimmed down group, he said: "Chloride can now stop playing like the English football team and can try to play like Sweden in the second half," he said. With the proposed sale of the sodium sulphur battery development and *commercialisation side*, the restructuring of the group will be completed, he said. He expected to be able to announce the disposal within days.

In March 1991, Chloride sold most of its former core batteries business to Hawker Siddeley, the engineering group, for £43.5m, because it was "heading for the fourth division – not in performance, but in size". The rump of the batteries side – in Africa – was retained.

Mr Horrocks said that although margin had been sacrificed, the group was now cash-generative from trading, though "the joker is demand".

He also said that the board was settled – Mr Keith Hodgkinson joined Chloride from GEC in December and in March Mr Horrocks ceded the chief executive role to him.

Turnover on continuing operations fell to £110.1m (£115.9m). On a like-for-like basis, turnover in electronics was £79.7m (£82.6m) and losses grew to £2.22m (£1.34m); batteries were brighter – turnover was £30.4m (£33.3m) and profits £4.25m (£2.46m). Therefore before interest continuing operations saw a growth in profits to £2.04m (£1.12m).

After a 400 per cent tax charge (because Chloride earned most of its profits in countries where tax loss benefits are not available) and extraordinary charges of £4.4m, relating to disposals and closures, the retained losses totalled £4.4m (profits £7.38m). Losses per share were 1.2p (0.9p).

● COMMENT

Chloride looked like it might dribble away, but a sea change has been engineered. Disposals, plant consolidation and reduction in staff by 392 people, or 10 per cent, were the tools. Cash generation is the short-term aim, through organic growth, new products and aggressive marketing. When profits recover on both sides of the Atlantic, there are tax losses of £11m in the UK and of £12m in the US waiting to be of benefit. Forecast prof*its for 1993 are about £4m ris*ing to £7.2m in 1994.

Bibby raises bid for Finanzauto to £86m

By Peter Bruce in Madrid

J BIBBY & Sons, the UK industrial and agricultural conglomerate owned by Barlow Rand of South Africa, has raised its bid for Finanzauto, the Spanish Caterpillar distributor, to Pta 1,500-a-share in the face of growing doubts that its original Pta 1,300 offer would succeed.

The new price values the Spanish company at Pta 15.9bn (£86.2m), but Bibby failed to secure Finanzauto's backing in talks with management on Wednesday.

Finanzauto said yesterday that the offer was a clear improvement and that it would pronounce on it early next week. It is expected that it will drop its opposition - the company has valued its stock at about Pta 1,700 - and adopt a neutral position.

Mr Richard Mansell-Jones, Bibby's chairman, said in Madrid yesterday he would not increase the offer again. For technical reasons, he said citing Spanish takeover regulations, "it would be impossible to increase that price".

He was "very confident" that the raised bid would be sufficient. "We thought we had an odds-on chance at Pta 1,300 and we feel it is a certainty at Pta 1,500."

The new price would represent a price earnings ratio of 22 on Finanzauto's 1991 consolidated profits.

Heavy buying of Finanzauto stock hours before Bibby announced its new offer, pushed the price beyond Pta 1,380 for the first time since the takeover was launched. Bibby has requested an inquiry by the stock market commission into the buying.

Brokers downgrade profit forecast for MFI Furniture

By Maggie Urry

COUNTY NatWest Securities, the stockbroker, has cut its profit forecast for MFI Furniture, the retail group coming to the market next month.

The issue is being handled by County NatWest's merchant banking side, but the securities division is acting independently in writing research.

County NatWest Securities is now forecasting a trading profit of £86m for the year to April 1993, a reduction from an *estimate of £100m made* before the pathfinder prospectus was issued a week ago. The forecast represents a rise of 17.3 per cent over the £73.3m reported for the 1991-92 financial year.

Despite the reduced forecast, the broker still regards the shares as "one of the more attractive and safer recovery stocks in the sector". It says its 1993 forecast indicates a price of 145p, and advises clients to buy a full weighting in the shares at up to 150p. At that price the market value of the group would be £872m.

The pathfinder prospectus indicated that the group's sales were currently flat. This *caused the broker to cut its* prediction for sales growth in the current financial year from 10 per cent to 6 per cent. In turn that led to the lower trading profit forecast.

County NatWest Securities is forecasting pre-tax profits of £77m, excluding exceptional charges of £26m relating to interest on the group's debt before the flotation and a bonus being paid to management. It also forecasts earnings per share of 8.9p, which would be an increase of 18.7 per cent over the pro-forma figure of 7.5p *for 1991-92 shown* in the pathfinder prospectus.

Enlarged Stirling more than doubles to £2.44m

By Peter Pearse

STIRLING GROUP, which acquired fellow clothing manufacturer Ritz Design Group for about £19.2m at the end of 1991, more than doubled pre-tax profits to £2.44m in the year to March 31.

The rise, from £1.06m, was struck on turnover 72 per cent ahead at £68.2m. Reasons for the advance, said Mr Peter Sheldon, chairman, were several.

The integration of the Fiona Rose nightwear business, acquired in 1990, with Bentwood's existing nightwear operation, played a part. Also important were improved manufacturing performances in the factories, tight cost controls across the group and the first-time contributions from Fiona Rose, E Gifford, the casualwear *distributor acquired in July*, and Ritz.

Some 70 per cent of both Ritz's and Stirling's clothing output was supplied to Marks and Spencer. Before the Ritz buy, Stirling had laid off more than 200 of its workforce, and rationalisation of the expanded group had entailed the loss of a further 495 jobs, mainly from *the closure of four smaller* Bentwood factories.

Some £1.78m had been set aside from reserves to cover the rationalisation costs. The accent was now on consolidation and no more job cuts were expected, Mr Sheldon said.

Earnings rose from 2.23p to 3.08p, heavily diluted by the increase of the shares in issue from 37m to 86m after the Ritz buy. The proposed final dividend is lifted 15 per cent to 1.15p – "especially pleasing for the Ritz shareholders who have only been with us three *months*", said *Mr Sheldon* – for a total of 1.65p (1.5p).

NEWS DIGEST

Lookers halved to £615,000

PRE-TAX profits of Lookers, the Manchester-based motor dealer and agricultural machinery group, were halved, from £1.23m to £615,000, in the half year to end-March. Turnover declined by £19.7m to £154.4m.

Mr Ken Martindale, chairman, said the results of the businesses operated by the group had variously affected the economic difficulties referred to in his last review.

Profits on car sales were reduced against the background of a national market which was down by more than 13 per cent on the previous year and 35 per cent on three years ago, he said. However, profitability of service and parts remained steady.

Results from the caravan business deteriorated slightly, although contract hire profits showed a considerable increase. Car delivery and van bodybuilding also improved.

The interest charge fell to £3.14m (£4.3m). Gearing has been cut from 115 per cent to 107 per cent.

Losses per share were 0.9p (2p *earnings*), while the interim dividend is unchanged at 2p.

Davenport Vernon moves ahead 47%

Davenport Vernon, the Buckinghamshire-based multi-franchised motor group, lifted pre-tax profits by 47 per cent from £547,000 to £805,000 in the six months to March 31.

Turnover rose from £48.9m to £50.6m and there was a 15 per cent improvement in operating profits to £1.29m (£1.12m). In addition, interest charges fell to £480,000 (£577,000).

The interim dividend is held at 1.5p, payable from earnings ahead to 4.1p (2.8p) per share.

Widney reduces losses to £97,000

Widney, the Birmingham-based engineering group, continued its trend of improving results with a reduction of *pre-tax* losses from £406,000 to £97,000 in the six months to March 31.

Turnover declined slightly from £10m to £9.69m and at the operating level profits improved to £314,000 (£94,000).

At the year ended September 28 1991 *operating profits* were £429,000 against losses of £687,000 and pre-tax losses fell to £512,000 (£1.62m).

The interest charge for the current six months was reduced to £411,000 (£500,000) and there was an extraordinary charge of £58,000 (nil) related to the costs of an aborted acquisition.

Losses per share were reduced to 0.33p (0.89p).

GEI Intl still falls short on last time

GEI International achieved progress in the second half, but not enough to match the previous year's result. The pre-tax outcome for the year to March 31 came to £3.12m, compared with £5.57m, on sales little changed at £77.94m.

As in the first half, when profits came to only £511,000, the special steels activities were hit by the UK recession. Steels suffered a loss of £0.98m *for the year, compared with* profits of £1.3m previously.

Packaging machinery and processing machinery lifted their contributions to £3.3m (£2.84m) and £1.58m (£1.56m) respectively.

Net interest paid rose to £774,000 (£123,000). Earnings declined to 6.7p (9.7p). The final dividend of 4.85p makes an unchanged 7.32p total.

Severn Trent heads the field with £265m

By Angus Foster

SEVERN TRENT, the Birmingham-based water and sewage company, yesterday announced the biggest profits so far for the privatised water sector.

But the company admitted Biffa, the waste management arm acquired last year, would not earn enough to cover its interest charges until next year at the earliest. Severn Trent's shares fell 7p to 375p.

The company reported a 6.4 per cent increase in pre-tax profits to £265m in the year to March 31, up from £249m. The increase came from average price rises of 15.2 per cent, held back by falling interest income as the company invested in improved water and sewage quality.

Turnover increased to £822m (£627m), helped by price rises and an 11-month contribution from Biffa and other non-regulated businesses.

Biffa made annualised operating profits of £12.5m, compared to the £25m interest bill on its £212m acquisition price-tag. Mr John Bellak, chairman, said Biffa would continue to dilute earnings this year because of the recession. But he expressed "no regrets" about the purchase.

Operating profits increased 32 per cent to £261m (£197m). But interest income fell sharply from £51.5m to £4.3m. Capital expenditure increased 48.5 per cent to £585m.

The company went from net cash of £229m to net borrowings of £170m during the year, creating gearing of 9 per cent. Mr Bellak said capital spending has now peaked.

Earnings increased 5.7 per cent to 68.2p (64.5p). The company is recommending a final dividend of 12.9p (11.7p) for a 19.3p (17.55p) total.

At the interim stage, Severn Trent announced a 1.5 per cent increase in pre-tax profits to £137m (£135m) on turnover 26 per cent higher at £395m (£313m).

Debtors increased nearly 50 per cent to £157.5m (£108.2m). About half the increase was due to acquisitions while some customers showed a growing reluctance to pay.

Staff numbers increased by 300 to 7,400. At Biffa, where the emphasis was towards higher margin business, staff totals fell 180 to 1,836.

● Three other water companies also reported increases yesterday:

Pre-tax profits at Essex Water for the 12 months to end-March were £18.2m against £15.7m for the previous 15 months. Turnover was £61.7m compared with £68.9m. The comparison are not meaningful because of the change of year-end.

The final dividend is 34.3p making a total of 70.9p, payable from earnings per share of 202p. The total dividend and earnings for the previous 15 months were 78.83p and 163p respectively.

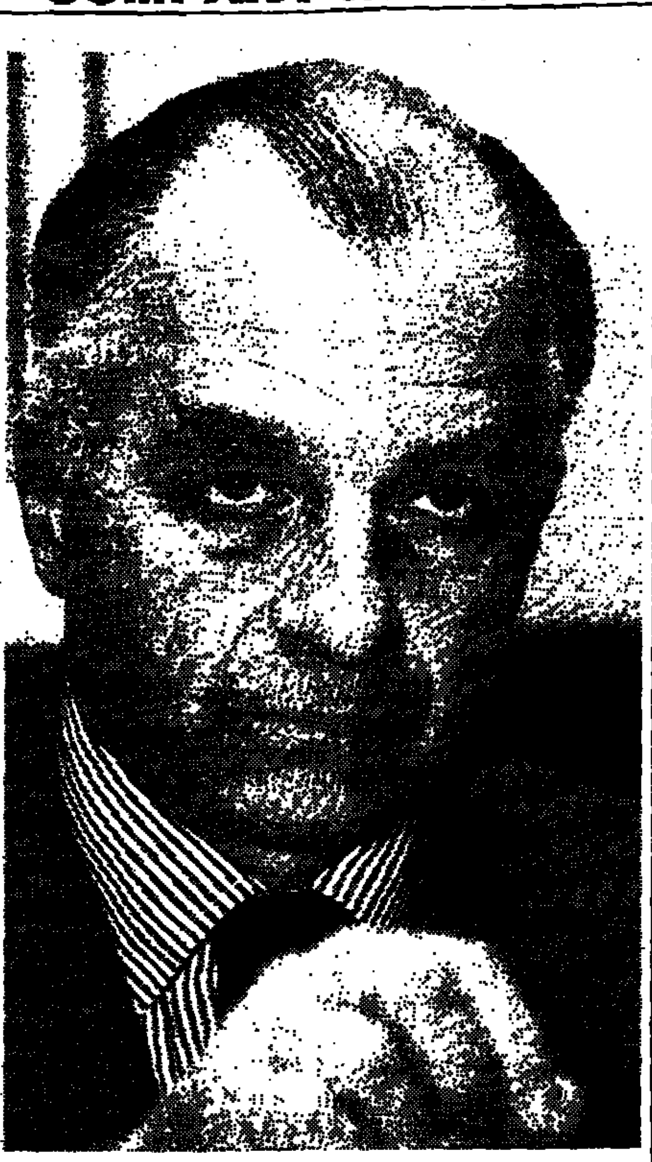
Suffolk Water turned in pre-tax profits of £4.2m from turnover of £14.5m. Again there are no meaningful comparisons because of the change of year-end. Profits for the previous 15 months were £4m from turnover of £16.3m.

Earnings per share came out at 79p and the final dividend is 21.5p for a 45.1p total. Earnings for the previous 15-month period were 72p and the total dividend was 37.95p.

While Brockhampton Holdings, parent company of Portsmouth Water, reported a pre-tax profit of £2.85m from turnover of £22m in the year to end-March.

This compares with profits of £2.79m from turnover of £19.7m last time. Earnings per share increased by 22.7 per cent to 21.1p and a final dividend of 3.3p makes a total for the year of 4.95p.

See Lex



John Bellak: no regrets about the purchase of Biffa

BTR sells cables stake to partner for £37m

By Peggy Hollinger

BTR yesterday sold its stake in a joint venture cables business acquired through the takeover of Hawker Siddeley, to partner Delta for £37m cash.

Delta said the purchase of the outstanding 36 per cent minority stake was the "post-script" to the merger in 1988 of the two companies' cable interests.

"We have acquired the whole of Hawker's cable business, without having to pay a premium for it," said Ms Alexandra Hockenhull of Delta. The purchase would push Delta's gearing – which was 13 per cent at the end of 1991 – up slightly.

Pre-tax profit attributable to the minority stake in Delta Crompton Cables last year was £2.7m, Ms Hockenhull said. The net asset value of the minority stake is £34.2m.

For BTR, the £37m should help to cut the group's weighty debt, which last month was reported to represent about 90 per cent of shareholders' funds. Every £25m is estimated to reduce gearing by 1 percentage point.

The sale was sparked by BTR's £1.55bn acquisition of Hawker Siddeley, the UK engineering group, last year. Delta had first option on the Hawker stake in the case of a takeover. An independent valuation set the selling price.

Delta Crompton Cables was subjected to a wide-ranging restructuring following the merger, including closing three of the nine cable sites. "We will now derive 100 per cent of the rationalisation," said Ms Hockenhull.

Delta Crompton Cables makes energy, communication and high performance cables for the industrial and regulated electricity markets.

Dawson surprises with 15% rise but cautious on upturn

By Angus Foster

DAWSON INTERNATIONAL, the Edinburgh-based textile and clothing group, yesterday announced results which were slightly better than expected and said order books were higher than a year ago.

But the company, which had seen profits decline every year since 1988, remained cautious about an economic upturn in its main UK and US markets. "Recovery will come but it will be slow and very hesitant," said Mr Ronald Miller, chairman.

Dawson reported a 15 per cent increase in pre-tax profits from £26.1m to £30.1m in the year to March 28. The increase was helped by £1.1m of currency gains on the dollar, a £700,000 exceptional profit on an insurance claim and a lower interest charge.

Turnover increased 6.6 per cent to £415m (£389.3m), helped by £12.7m of currency gains. Pringle of Scotland increased volumes 14 per cent although Ballantyne Cashmere saw a 18 per cent decline.

At the interim stage Dawson reported a 6 per cent fall in profits to £16.2m on turnover of £217m (£214m). Mr Miller said the second half improvement was helped by a recovery in cashmere fibre and yarn sales and stabilised cashmere prices.

In the US, a mild winter affected sales of JE Morgan's thermal underwear and volumes declined 6 per cent although the company said market share improved.

Interest charges fell to £5.54m (£6.85m) due to reduced working capital, cash generation of £27.9m and falling US interest rates.

Capital expenditure fell from £15.2m to £9.43m while depreciation increased to £12.4m (£11.2m). Net borrowings at the end of the period were halved at £23.9m, against £51.7m, giving gearing of 13.4 per cent, compared with 29.6 per cent.

Earnings per share advanced 7.5 per cent to 11.4p (10.6p). The company is recommending an unchanged final dividend of 7.1p to make a maintained total of 9p.

● COMMENT

After three years of decline, can Dawson's long-suffering shareholders finally look forward to some growth? Judging by yesterday's 5p rise in the share price to 219p, against a falling market, the answer is yes. Analysts were not only surprised by the profits, admittedly against last year's depressed results, but also by the sharp fall in gearing, suggesting costs and working capital are well set for recovery. But profit forecasts for this year of £33m put the shares on more than 17 times. Although acceptable, the rating suggests the market is already factoring in rises in consumer confidence and confirmed autumn orders which, as the company warned, are by no means in the bag.

Photoprocess cuts LIG profit

By Andrew Bolger

A DROP in photoprocessing results caused London International Group, the consumer products and services company which makes Durex condoms in the UK, to report a dip in pre-tax profits from £17.4m to £16.9m in the year to March 31.

LIG said these results reflected a good operating performance in health and personal products but a worse than anticipated downturn in photoprocessing services as a result of the continuing recession.

Overall turnover rose by 7.8 per cent to £398.1m (£369.2m). The group took £22.5m of restructuring costs above the line, in line with the new accountancy draft standard. The restated comparable exceptional figure for the previous year was £21.9m.

LIG's photoprocessing division saw operating profits drop by more than half to £5.9m (£12.5m) on marginally increased turnover of £119.5m (£117.3m). ColourCare continued to gain market share, but sales were cut by the recession and profits were substantially affected.

ColourCare had seen some some volume pick-up since the year-end, but there was little sign that the photoprocessing market was improving.

Traditionally, 60 per cent of photoprocessing volume is in the first half, with almost 40 per cent concentrated in July, August and September, so LIG said it was too early to make any comment on photoprocessing performance for the year.

Health and personal products saw operating profits increase by 15.4 per cent to £42.7m (£37m) on turnover of £278.6m (£247.7m), up by 12.5 per cent.

LIG said the condom business worldwide continued to grow at an average annual rate of 2 to 3 per cent, and overall the group's brands gained market share.

As planned, Biogel surgeons' gloves came into operating profit in North America and continental Europe. In the US, Biogel had achieved more than 15 per cent of its target market, against 6 per cent last year. Throughout the UK and continental Europe, Biogel continued to increase its market shares.

Following last year's announcement, all primary manufacture of surgeons' gloves had been transferred to the group's new factory in Malaysia. Closure of the UK plant, with the loss of 650 jobs, accounted for £13.4m of the exceptional item.

On the restated basis, earnings per share fell to 6.34p (6.86p), but the final dividend was held at 6.25p, giving a total for the year of 9.45p (9.25p).

Learmonth & Burchett in the black with £0.3m

By Alan Cane

LEARMONTH & Burchett Management Systems (LBMS), a computing services company quoted on the USM and specialising in computer aided systems engineering (CASE), returned to profit for the year ended April 30 1992 after a disastrous 1990-91.

It made pre-tax profits of £303,000 compared with losses of £1.7m the year before. Turnover was up 10 per cent at £21.4m (£19.5m) and earnings per share worked out at 0.7p, compared with 10.5p losses.

No dividend is being recommended. Mr Rainer Burchett, LBMS chairman, said that the company still had £1.8m of borrowings and that it was premature to talk of paying a dividend in 1992 although it could be possible next year.

LBMS, established in 1977, is one of the oldest companies in the CASE area. CASE involves methods and software technologies which make it simpler and more efficient to write computer programmes.

LBMS had a sound business record until two years ago when a combination of heavy spending on research and development, acquisitions that proved difficult to digest, increased competition and the recession resulted in a sharp decline into loss.

Mr Burchett said that the investment in research and development had resulted in new CASE software which had been well received in the market place. In addition cost cutting and restructuring coupled with improved sales and marketing had resulted in a substantial improvement.

The company has a blue chip list of clients and has expanded into the US and Australia.

Oceana Investment net assets rise

Oceana Investment Corporation reported net asset value ahead at 362.9p at March 31 against 317.4p a year earlier.

Oceana lost its listing in September following the failure of its bid for Etam.

The total dividend is unchanged at 11p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bradstock ....int	1.45†	Sept 29	1.35	-	4.75
Brockhampton Hdg ..fin	3.3	-	2.7	4.95	4.05
Davenport Vernon....int	1.5	Aug 3	1.5	-	4
Dawson ....fin	6.1	Aug 28	6.1	9	9
Essex Water ....fin	34.3	-	75.36☆	70.9	78.83☆
FKI ....fin	1.3	Sept 21	1.3	2.3	3.3
GEI ....fin	4.85	Aug 10	4.85	7.32	7.32
Goldsmiths ....fin	0.3	Sept 1	1.5	1.8	3
London Intl ....fin	6.25	Oct 1	6.25	9.45	9.25
Lookers ....int	2	Sept 30	2	-	6.2
Manweb ....fin	12.8	Oct 5	11.2	18.25	11.2
Portsmouth Sund ....fin	5.87	Aug 3	5.64	8.6	8.24
Severn Trent ....fin	12.9	Oct 1	11.7	19.3	17.55
Shanks & McEwan ..fin	3.44†	July 30	3.44	5.7	5.48
Stirling ....fin	1.15†	Oct 2	1	1.65	1.5
Suffolk Water ....fin	21.5	-	16.25☆	45.1	37.95☆

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆For 15 months.

SFO talks to Jersey police about Richmond Oil

By Peggy Hollinger

THE SERIOUS Fraud Office, the London Stock Exchange and Jersey police met last week to discuss possible irregularities in share dealings of Richmond Oil and Gas, the beleaguered natural resource company which recently announced that creditors had foreclosed on its main remaining asset.

Officials of the two UK regulatory organisations were briefed in Jersey by local authorities, who raided a local accountancy firm under the island's "investigation of fraud Jersey law 1991".

The SFO is conducting a preliminary investigation into whether a full-scale inquiry will be necessary.

The discovery was made when the Jersey fraud office raided the premises of Bryant and Co in April, following a complaint by one of its clients that he could not recover £150,000 given to the company for investment purposes.

The office appeared to be deserted, with dead cigarettes lying in ash trays and jumpers flung across the backs of chairs. However, police collected thousands of files from the premises which have been passed to UK accountants, Price Waterhouse, for analysis.

The exact current trading status of Bryant and Co is uncertain, local officials said.

Detective Inspector Peter Hopper of the Jersey police declined to comment in general terms, but stated that if irregularities were found they would be referred to the regulatory bodies.

Also present in Jersey last week on a separate matter was Mr Herb Deutsch of the New York law firm, Deutsch and Frey. The firm is representing Butte Mining – under new management since last year – in litigation against more than 100 defendants, including Bryant and Co. The case alleges fraud and misrepresentation by former directors, executives and advisers.

Mr David Wilkinson, joint managing director of Richmond, said he had no knowledge of any irregular share dealing in Richmond Oil's flotation. The company's £21m flotation at 105p in July 1989 flopped amid concerns over the valuation of assets against original purchase price. However, in October the share price had begun a steady climb from 63p to 163p by February 1990. The shares, which were 7p last night, hit a high of 173p in the summer of 1990.

Buy-out team plan changes to a vegetarian menu

Peter Pearse on Cranks' move away from the small, brown rock school of wholefood cooking

EVERYONE LOVES a bargain and at the moment receivers across the land have plenty. Does Cranks, the vegetarian restaurant chain recently purchased by a management buy-out, come into that category?

The MBO, put together by Piper Trust, the retail consultancy, has bought eight restaurant/takeaway outlets and the Cranks name – a brand that some would say had passed its sell-by date, even though the healthy eating market is growing.

In many minds Cranks will forever be tarred with a hippy brush or stuck with an image of sandaled, CND-campaigning liberals, proselytising about the virtues of bowls of bran and the evils of meat-eating.

Mr Ian Cheshire and Mr Christopher Curry, the non-vegetarian forces behind the buy-out, hope to nail those prejudices, saying that vegetarians now come from all walks of life and that at some time or other everyone chooses non-meat, unprocessed dishes.

While anxious to preserve the "integrity" of Cranks, they are keen to move away from "the small, brown rock school of wholefood cooking" – stodgy grains and wheat – to lighter meals using more vegetables.

Overall, they are keen to tap into the consumer's general trend of eating out more, but going for quality. Initially, the main changes will be in the menu. For example the dough will be reformulated so that instead of being available only in bap form, it can be baked in loaves, and can therefore be sliced.

Piper has been sworn to silence by Stoy Hayward, the receiver, not to reveal the financial size of the package it put together for Cranks.

However, Mr Curry, who runs Piper Retail Fund, the venture side of the MBO, did admit that it was "quite a lot less" than the £1.5m Piper bid in 1988 when Guinness, the then owner, sold it to Bewley's Cafés and Badger Hale, the Irish catering chain and property developer. "We're much happier to have bought it now than then," he says.

Stoy could have got more for the business, he adds, but receivers are obliged to dispose of loss-makers as quickly as possible. In fact, there were other contenders, one of which placed a higher bid, though with "theoretical" money. Thanks to its previous bid and to its close knowledge of the business, Piper already had its package sewn up and pipped the others.

The close knowledge comes from Mr Curry and Mr Cheshire, his partner from Piper Trust. While Mr Curry learned about Cranks when preparing the 1988 bid, Mr Cheshire's familiarity is more direct, stemming from his time at Guinness, when Cranks was part of the drinks group's portfolio before it reverted to its core businesses in the wake of the Distillers episode.

Non-vegetarian bosses behind the buy-out – Ian Cheshire (left), with Christopher Curry

A child of its time and endorsed in the late 1960s by The Beatles and other Swinging London luminaries, the health food company rode the crest of its trendiness in the 1970s, but began to fall out of fashion in the 1980s.

Financially it was hit by the now familiar litany of 1980s scourges – too much debt, over-rapid expansion, demand reduced by recession and spiralling rent and rates.

In its most recent year, Cranks' pre-tax losses were £1.4m on sales of about £4.5m. The restaurants broke even but the company was tipped into receivership, on February 19, by interest costs and losses on the wholesale side – which serviced such companies as P&O, Safeway, Forte (its Welcome Break motorway service stations), and Loseley.

You can cherry pick when buying from the receiver and so the factory in Islington, London, which supplied food to all the outlets was not bought, though Mr Curry and Mr Cheshire are keen to continue and expand the wholesale side. They point to a 1991 survey which revealed that 12 per cent of the UK population knew the Cranks name for its healthy eating reputation; in the south-east the figure jumped to 25 per cent.

The duo will be forming a joint venture with a third party to license or sub-contract out the food making process and harbour longer-term ambitions to roll out frozen branded food products – "like Bird's Eye's vegetable meals", says Mr Cheshire – across the grocery multiples. In the first year the emphasis will be on gaining wide distribution for a small range; thereafter the variety of dishes will be expanded.

Another big change will be in the way Cranks is managed. Mr Cheshire stresses that there will be a "change of style – it won't be run from the top down".

The Piper Retail venture capital fund, backed by Standard Life and Royal Life, has a stake of a little over 50 per cent and the balance is split equally between Piper Trust and the middle managers, who previously worked under Cranks' various owners.

These managers will be the operational team and, apart from the incentive of growing the company to increase the value of their investment, they also have the opportunity, in a complex arrangement dependent on profits, to raise their stake from the low 20s to 30 per cent over the next five years.

The whole project is "mostly equity financed with just a bit of debt".

Mr Curry says that only half of Piper's package of "substantially less than £3m" went to acquire Cranks: the other half is to move the unwanted kitchens in the restaurants, for development and expansion of the business.

Franchised restaurants outside the south-east – Mr Cheshire and Mr Curry envisage expanding the chain – will be satellites to a Cranks-owned outlet. Food would be supplied at cost to each franchise and Cranks would take 5 per cent of sales.

As Body Shop prefers, Cranks' name would be on the lease, not the franchisee's.

Other changes will be evolutionary. The woven basket lampshades – a particular hate of Mr Cheshire – will go, but the pine-dominated decor will only be changed when the money becomes available.

RECRUITMENT

JOBS: The double set of mufflers that stop senior executives' eardrums from hearing any surprises

Why big companies are short of new ideas

WHO precisely first coined the phrase, no one the Jobs column has ever met could identify. But whoever it was deserves an honoured place in dictionaries of quotations.

For, of all the multitudinous maxims uttered these past 2,500 years on how to survive in an organisational setting, none is more cogent than the phrase in question. It states: *Never surprise a vice-president!*

While transatlantic in idiom – it was apparently coined by somebody in American Telephone and Telegraph – the phrase clearly has universal force. Moreover, the inadvisability of springing surprises applies not only to bosses as high as vice-president or the equivalent, but to many if not most ranked lower down.

So in an attempt to convey the wider scope of the message I've reformulated it in more general terms as one of the Laws of Organisational Stupidity, calling it after Professor Iain Mangham of Bath University's management school who introduced me to the original in the 1970s. In the wider version, which goes under the name Mangham's Muffler, it says: *When communicating to superiors, new news is bad news.*

Since first hearing of the rule, I've seen it borne out too often for its workings to be any longer a surprise to me. The explanation seems to be that aspiring bosses have a psychological need not only to possess the power to tell others what to do, but to feel they hold it by natural right. Hence they tend to believe deep down that they are endowed with such superior faculties that they are sure to learn of anything worth knowing before it could ever occur to anyone of lesser status.

What has surprised me even after all these years, however, is the strength with which the top-most rankers defend themselves against the possibility of being forced to recognise otherwise.

That revelation comes as a result of my discussion two weeks ago of the problem senior executives' secretaries pose for the growing numbers of displaced managers who now have little chance of re-employment unless they can win the ear of someone empowered to hire them. In the hope of helping to put unused skills back to work, I passed on a couple of hints from a consultant in New York on how to bypass the secretarial gatekeepers. One such hint was to dodge round their blocking question – *What's it about, please?* – by misplacing the word "not" in your answer.

To illustrate: if you're out of work after a time in Germany and aim to persuade some chief who's a total stranger to hire you as a representative there, the reply to the gatekeeper might be: "We've met before but not for some time. I've been working in Germany, and there's a business opportunity I know he would be interested in." Then, on getting through to the chief and being asked how you know each other, you say: "Sorry? I didn't say we did. What I said was we've *not* met before. But for some time I've been working in Germany..."

Readers' responses, often vehement as well as extensive, have come from several angles. For example, half a dozen out-placement consultants and four of the executive-selection variety have accused me of advocating the seriously dishonest practice of approaching employers with bogus propositions. That's a bit steep. The article a fortnight ago expressly stated: "...it is of course imperative to have done your homework on the target company and executive, and the idea you're proposing, as well as ensuring that every checkable fact you voice is true."

In other words, any proposals made must be genuine. Even so, given the numbers unemployed and the barriers in the way of their recovery, I see no cardinal sin in practising mild deception to get honest proposals a serious hearing. Nor am I alone in doing so. In the circumstances, even the stern philosopher Hobbes would have forgiven it.

On reflection, however, I agree that the reproving out-placers are right to say that "networking" is a more promising as well as less deceitful method. It is defined by one of them as: "making new contacts via referrals from existing contacts and genuinely asking for advice and NOT for a job. The aim of a network meeting is referral to more contacts. Keeping the network 'alive' over a period of weeks results in a whole series of people *you do not now know* positively thinking of you when they might hear of a job."

Nevertheless my conversion to networking is not because of its philosophical merits, but strictly on practical grounds. The reason lies in the dozen responses from readers who actually work in the aforesaid gatekeeping capacity. For their letters have persuaded me that such dodges as I passed on just wouldn't wash with the consummate professionals who work as senior secretaries.

Hence my belated realisation that the stopping power of senior managers' mufflers is greater than I had previously supposed. They are equipped with not one, but two of them: the classical Mangham sort worn by the chiefs themselves, and an outlying filter represented by their secretaries. As one of same typically remarks:

"I can say with hand on heart that *no-one* will get through to my boss on the telephone if they will not explain to me exactly why they wish to speak to him – and, only then, provided he tells me he wishes to take the call."

The only hope of penetrating to the chief, several of the gatekeepers say, is essentially akin to networking. In the words of the same correspondent, it is "waking up to the fact that few top executives will take calls unless they are very thoroughly screened and perceived to be *mutually* constructive, and enlisting the secretary's help and advice as to how to get their message across or who would be the right person to speak to about their idea/application. At this level, the secretary would certainly be one of the best people to have on your side when chasing those elusive job openings."

To which I can only nod in agreement. But that is not to say the better pay-off of networking augurs well for the economic future. For it is a method that clearly best serves folk good at favourably impressing influential others – which need not be, and often isn't, the same as having something productive to offer a company. Indeed networking was summed up in a maxim long before "Never surprise a vice-president": to wit, *It's not what you know, but who you know.*"

Still, that being the case, it may help to explain why so many big companies at least, have so few good new ideas.

NOW to a couple of City of London jobs being offered by separate headhunters. Both promise to respect applicants' requests not to be named to their client at this stage.

John Anderson (Deven Anderson, 35 Livery St, Birmingham B3 2BP; tel 021-233 3320, fax -233 1031) seeks a managing director for a private financial-services group's insurance business, mainly in broking. Given selling and team-leading skills, candidates could be from any branch of insurance.

Salary around £50,000 plus bonus on results, and car.

Dudley Edmunds (Westminster Associates International, 1-4 Warwick St, London W1R 5WB; tel 071-287 5788, fax -287 9986) wants a proven corporate trader in derivatives as well as cash and FX for an international bank. Continental languages a help.

Salary up to £50,000, plus usual City banking perks.

Michael Dixon

Team Leader
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Investment Banking Division

One of the leading UK merchant banks, Schroders is looking for an ambitious team leader to join the Specialist Energy Team within its Investment Banking Division. The Energy Team provides financial advice to a large range of national and international oil and gas companies, and is the market leader in its field.

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Team Leaders	Ref L2401
Relationship Managers	Ref L2402

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Nuestros planes de expansión internacional nos han llevado a la adquisición de una pequeña empresa en España con 4 oficinas y una nómina de personal de 40 empleados. Sus obligaciones consistirán en administrar y expandir el negocio de conformidad con la cultura de St. Paul, introduciendo las líneas comerciales existentes y desarrollando nuevos productos. Por lo tanto, sus tareas abarcarán todos los aspectos de las operaciones diarias, inclusive el control financiero, ventas y marketing implementación de sistemas y administración de los recursos humanos.

El solicitante a quién se ofrezca el cargo deberá ser preferiblemente de nacionalidad española, experto en el trato de personal y disfrutar de experiencia del mercado español. Se concederá importancia igual a la experiencia en los negocios de seguros. La persona en cuestión debe ser perspicaz en materia de planificación, disponer de gran facilidad en los cálculos aritméticos y gozar de la ambición y clarividencia necesarias para fomentar el negocio.

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As members of small teams of highly motivated professionals, Associates assist in the process of research and analysis, leading to the formulation of effective strategies for our clients.

The position is particularly attractive to applicants planning to go to business school in 2-3 years' time.

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Please send applications to:
(Application deadline: July 15)

Sheila North, Recruiting Administrator (Ref. FT-C/A)
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The Adelphi Building
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Interested candidates should write, enclosing a detailed CV, to Roger Howell at the address below, giving details of current remuneration and quoting reference number 117J.

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Application forms can be obtained from Barbara McKelvey, Personnel Manager, The Law Society, 50/52 Chancery Lane, London WC2A 1SX. Telephone: 071-320 5629. Closing date for return of applications is 3rd July 1992. All applications will be acknowledged within seven days of this date.

For a more informal discussion, contact Bob Butler, Head of Monitoring Unit, (ext. 3320) or Stuart Bushell, Deputy Head of Monitoring Unit, (ext. 3383) on 0527 517 141.

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Applicants should reply in writing, enclosing a full CV to:

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Ebbgate House, 2 Swan Lane, London EC4R 3TS.

BZW

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- Organised, self-starter with strong technical skills honed in a City environment.
- Clear communication skills. Capable of advising senior management and taking a commercial view.

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London — Base £30k

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The successful candidate will work closely with the trading desk to support proprietary positions and actively interact with clients, salespeople and stock exchanges.

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ACCOUNTANCY COLUMN

Mid-size marriage of convenience may set trend

By Andrew Jack

A RATHER unusual volume sits among the untouched tomes on international tax treaties and accounting for leases on the Financial Times's bookshelves. In the last few days, with the announcement of a merger between Stoy Hayward and Finnie's, two mid-sized firms, its spine has lost the normal covering of dust.

The casual reader is in for a surprise when browsing through the book for the first time. Inside the glossy red cover, emblazoned with favourable reviewers' comments, the contents leave something to be desired, being nothing but blank white pages. Only on re-reading the title, does it click: for this is "The Stoy Hayward Guide to Mergers in the Accountancy Profession", published as a joke in 1989, when many rival firms were in the midst of intensive discussions on coming together.

Stoy, in contrast, had remained resolutely independent and aloof from the trend since its previous "merger" back in 1974. Even then, it only took in a two-partner practice. Over the next 15 years it resolutely refused to entertain any further such activity.

For afficianados of the new Stoy merger now underway, there are several additional ironic twists to the firm's book beyond the title and its lack of content. Its authors are John Piper – one of the partners brought in with his practice in 1974 – and Adrian Martin, the current managing partner, who was central to the merger with Finnie this month.

One of the comments from a "reviewer" on the back page – who says, "We are proud to have been involved as sponsors for the research material in this excellent book" – is by Douglas Llambias, a consultant and professional matchmaker among accountants, who helped bring the two firms together over the last few months.

But what Finnie's and Stoy's partners might be more nervous about today is the description of the contents printed inside the dust jacket of the book. The "guide", it says, tongue firmly in cheek, demonstrates how to reach the right decision "without being confused by non-important factors such as money". Mergers, it argues, are being driven by rising rents and an anticipated shortage of good partners. They allow successful firms to achieve key features of their strategic plans. But the pitfalls are usually only discovered once they are perpetrated.

The two sets of partners might be slightly uneasy at that particular jibe, but they cannot disagree entirely with its analysis.

It would be too easy to dismiss the Stoy-Finnie link-up as another merger on uncomfortable terms. So many others in the last few years have been driven – despite the rhetoric of "strategic reasons" – by the inherent weaknesses of at least one of the two firms involved, saddled perhaps with expensive potential litigation, high debts or a declining practice area.

Now, with the impact of the recession far deeper, and competition between firms for clients so intense, for Stoy to merge is surely a way to boost its income. Finnie has several tempting quoted clients it could take on board, including the Body Shop. Equally, as critics have not been slow to point out, Stoy gained a reputation as something of a whizz-kid firm during the 1980s, becoming auditors to several high-profile companies now in disgrace, such as the Levitt Group and Polly Peck International.

Perhaps the merger gives the firm a chance to redeem itself with a broader portfolio of safer clients. Several factors veer away from such a purely negative spin on the merger, however. The most significant is the fact that Finnie approached Stoy, not the other way round. Stoy is believed to have turned down a number of merger approaches over the last decade. Finnie was the only one that ever got to an advanced stage of discussions, and it claims that Stoy was its first choice among three attractive candidates.

The number of firms of similar size currently offering comparable services is probably unsustainable

That choice only came after a detailed scrutiny, under confidentiality agreements, of documents including the partnership accounts, information on litigation and the technical working papers surrounding some of the more controversial audits.

Similarly, if Stoy only wanted to gain clients, it would have to swallow the extra overheads of additional Finnie professionals, since at least on paper the new, enlarged firm claims there will be no significant job losses. If senior staff are removed in the coming months, that could also jeopardise the relationship with existing clients and risk them moving elsewhere.

In spite of these arguments, it is, of course, possible that Finnie rather than Stoy needed to merge in order to survive. As the twentieth largest firm by fee income, it is no doubt suffering a squeeze on business, partly generated by aggressive tendering by some of its larger competitors.

All the two firms will say – ambiguously – is that their profits are at about the same level. They do not deny that a larger client base was among the most attractive aspects of the merger. They also state that the combined firm is profitable, with low gearing and a strong balance sheet.

But Mr Adrian Martin also makes a point of stressing that Stoy was attracted by the fact the merger would have little impact on the firm's position as number eight by size. The two firms suggest that their cultures and approaches to the provision of professional services are compatible.

Whatever the truth in these arguments, there does certainly appear to be some strategic logic behind the merger, which was not always so clear in previous examples. Stoy is a London-based partnership, with associates around the country. For several years it has been considering how to expand from its West End office into the south-east. Finnie is essentially a south-eastern practice, which has built up a network of 10 offices in the M25 region around London. Its local strength makes it very attractive as a way for Stoy to expand in the area. At the same time, Stoy recognised a number of strong aspects of Finnie's operations that tied in with its own strengths: in insolvency, property work and corporate finance including work on the government's Business Expansion Scheme.

Finnie makes no secret of the fact that it was finding it difficult coping with clients with operations outside the south-east. Without the nationwide network it now has, it was forced to refer these clients to independent accountancy practices in other parts of the country.

How well the merger will last over time, in terms of both client and staff retention, cannot yet be judged. There has already been modest fall-out: Mr Chris Benbow, former senior partner at Finnie and a man intimately involved in the early discussions, left "to pursue other interests" a few weeks ago. Finnie's Beverley office also remains outside the new network of associates around the UK.

What seems certain is that the shake-out of mid-size firms is far from over. While different types of clients have different needs, the number of firms of similar size offering comparable services is probably unsustainable in such a competitive environment.

Whatever the reasons, the number of mergers and acquisitions does not seem likely to diminish. A recent survey by Michael Page, financial recruitment consultants, suggested that a growing proportion of small practices anticipate selling out or merging. Last month, Ernst & Young announced the acquisition of a 12 per cent stake in Kalchas, a small strategic consultancy firm. Another merger involving mid-size firms is rumoured to be announced shortly.

The reasons for this activity may all be different, but the trend is the same. In another year partners in Stoy Hayward may still evaluating the success of the merger. But the pages of a second edition of the Stoy guide in two years's time could be somewhat more detailed.

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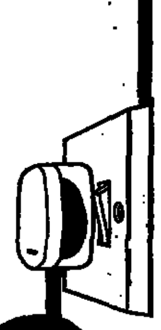

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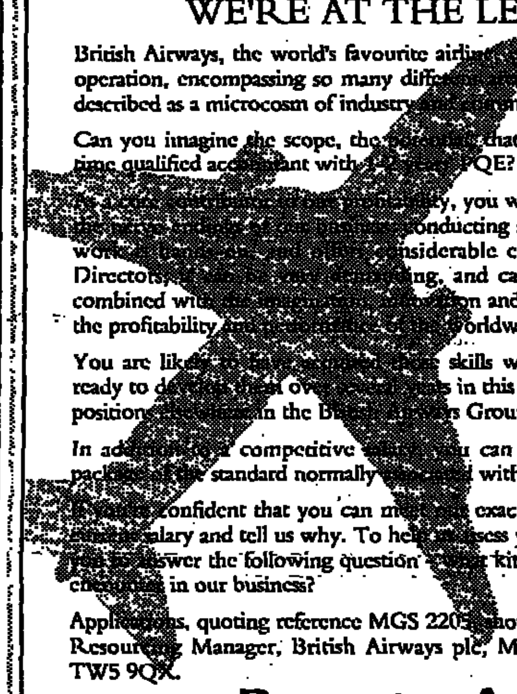

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FT LAW REPORTS

P & I case will be heard in UK

THE STANDARD STEAMSHIP OWNERS' PROTECTION AND INDEMNITY ASSOCIATION (BERMUDA) LTD V GANN AND ANOTHER

Queen's Bench Division (*Commercial Court*): Mr Justice Hirst: June 5 1992

AN ENGLISH jurisdiction clause in the rules of a P & I club constitutes an agreement between the club and its members to which the court will give effect unless there is good reason for not keeping the parties to their bargain; and where proceedings are begun in a competing jurisdiction, an English choice of law clause in the club rules is a significant factor in favour of England as the appropriate forum.

Mr Justice Hirst so held when refusing an application by the defendants, Mr Edmund A Gann and Caribbean Marine Services Co Inc (CMS), to set aside Mr Justice Evan's order granting the plaintiff club, the Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Ltd, leave to serve the proceedings on the defendants out of the jurisdiction.

HIS LORDSHIP said that the club was a shipowners' mutual assurance association, which issued and provided insurance on the basis of its rules from year to year.

Its claim, amounting to more than $1.8m, was for loss and/or damages arising from non-payment of supplementary calls and relief calls.

It submitted those sums were due from the defendants. It alleged they were parties to the insurance policy. The defendants' case was that the parties to the policy were not the defendants, but individual shipowning corporations.

Mr Gann was a US citizen resident in San Diego California. CMS was a Californian company based in San Diego.

Mr Gann was beneficially interested in a number of individual corporations which owned vessels engaged in tuna fishing off the west coast of the US, managed by CMS. The defendants alleged those companies were the assured.

Reference to the "defendants" was without prejudice to that point.

From 1983 onwards the defendants' P & I risk business was insured by the club, following an approach from Lloyd's placing brokers instructed on the defendants' part by San Diego brokers.

From 1987 the club made a number of supplementary calls on members. Also the defendants sold a number of their vessels and as a result the club claimed release calls in respect of the cessations.

The claims were resisted by the defendants on various grounds, including the ground that the insurance was on a fixed premium basis, and that the club was not entitled to require them to meet supplementary or release calls.

It was the defendants' case that in relation to that ground the club was unable to sustain an arguable case sufficient to justify maintenance of the order for service out of the jurisdiction. If they failed on that point, they submitted that San Diego, not London, was the *forum conveniens* [appropriate forum] for the proceedings.

Rule 2(2) of the club rules provided that "these rules and any contract of insurance between the association and an owner shall be governed by and construed in accordance with English law".

Rule 32(1) provided "the owner hereby submits to the jurisdiction of the High Court of Justice in England".

Mr Bueno for the defendants submitted that the burden was on the club to persuade the court to reach a tentative conclusion that it had a good arguable case. He was probably right. (See *The Olib [1991] 2 Lloyd's Rep 108; Overseas Union Insurance v Incorporated General Insurance, FT, December 4 1991.*)

A telex dated November 17 1983 from the club to the defendants, stated "it is not possible for us to offer owners a fixed premium quote".

The club had demonstrated a good arguable case on the merits on this point.

Mr Bueno contended that the burden of proof was on the club to satisfy the court that England was clearly and distinctly the appropriate forum for trial of the action, relying on *Spiliida [1987] AC 460.*

Were it not for the defendants' submission to the jurisdiction, that would be correct.

But the authorities plainly established that the court would give effect to the jurisdiction clause, though still retaining a discretion to grant a stay if the defendants could show strong reasons against holding the parties to their bargain *(Chaparral [1968] 2 Lloyd's Rep 158; El Amria [1981] 2 Lloyd's Rep 119).*

Mr Bueno invited the court to disregard or at least to attach very small weight to the jurisdiction clause, and argued it was one-sided.

That submission was unacceptable in relation to a clause drafted in standard form typical of the rules of P & I Clubs generally, where the member was both insurer and insured.

Approximately three months after issue of the writ the two defendants together with all the individual vessel-owning corporations, issued proceedings in San Diego against the club, its management companies, and a number of other defendants including individuals who were executives in various broking firms.

They sought declarations that they were not liable for the supplemental and release calls. Against the club and its managers, they sought damages for fraudulent misrepresentation; and against the brokers, damages for fraudulent or negligent misrepresentation, and for breach of duty.

Mr Bueno submitted that the centre of gravity of the dispute was San Diego. He said the disputes must be looked at as a whole, and it was essential that they should all be tried in one action to avoid the risk of inconsistent decisions.

For that purpose, he submitted that the San Diego action, in which the parties involved in all aspects of the dispute had already been joined, was the appropriate forum.

He submitted that the English choice of law clause should be given little or no weight, since there were no difficult issues of English law which would appropriately be reserved for decision by an English court. He said the main area of dispute would be on issues of fact.

That was not accepted.

Serious questions of law would arise as to the relationship of principal, agent and sub-agent *vis-à-vis* the club. Those questions would turn on issues of principle and construction of documents.

Construction of the documentary material was, as the authorities plainly showed (see *The Magnum [1989] 1 Lloyd's Rep 47, 51*), best undertaken by the English courts employing English law canons of construction. If the task were undertaken in San Diego the court, in applying English law, would need to rely on the expert evidence of English lawyers brought to California at considerable expense. That was a serious disadvantage.

The English choice of law clause was a significant consideration in favour of English jurisdiction.

The centre of gravity of the case was in London, not California, because:

(i) On all main issues the crucial point of contact was in London between London brokers and the club. The witnesses relevant to those aspects were in London and the relevant documents would mainly be in London.

(ii) The defendants' claims against third parties, which were by no means all London based, would only arise if the club succeeded in its claim.

(iii) It seemed likely that the number of witnesses for each jurisdiction would be evenly balanced, and that the preponderance of documents would be in London.

The crucial point was the risk of inconsistent decisions, which the court must strive earnestly to avoid *(El Amria).*

There should be no difficulty, if the defendants chose to do so, in their joining the US third parties in the English proceedings as necessary and proper parties.

The present action was in being for a considerable period before the defendants launched their San Diego proceedings, and it was their decision to sue in San Diego which created the possibility of a conflict.

Those considerations, coupled with the conclusions that English choice of law and the English centre of gravity strongly favoured proceedings in England, led to the conclusion that the appropriate forum was London.

For the club: Jonathan Gaisman (Richards Butler).

For the defendants: Antonio Bueno QC and Robert Bright (Hill Taylor Dickinson).

Rachel Davies

Barrister

COMMODITIES AND AGRICULTURE

Rubber growers agree to work towards free market

By Kieran Cooke in Singapore

NATURAL RUBBER producers have agreed for the first time to work towards a new, open market system, with the possibility of international prices being set through a centralised exchange in Singapore.

At the end of a three-day meeting here members of the the Association of Natural Rubber Producing Countries agreed to "develop and foster one centralised open market in the rubber producing region". The producers' association, formed in 1970, groups Malaysia, Indonesia, Thailand, Papua New Guinea, Sri Lanka, India and Singapore which between them supply more than 80 per cent of natural rubber.

At present more than 70 per cent of the world natural rubber trade is carried out through direct private party to party deals between plantations or smallholder groups and the main consumer companies, mainly the tyre manufacturers. Producer countries, frustrated by a prolonged period of low prices, had said in the past that the system was unfair and had suggested the formation of a rubber producers' cartel in order to gain higher prices.

Mr Ahmad Farouk, chairman of the Malaysian Rubber Research and Development Board, said what was significant about the Singapore meeting was that consumers' representatives were now expressing a willingness to work towards a more open rubber trading system.

"What the big tyre companies want more than anything else is security of supply. In the short term they might gain by cheaper, direct deals with certain producers. But they also realise that the there could be supply problems in the years ahead. Some producers, like Malaysia, are either turning to what are considered to be more profitable crops like palm oil or are industrialising fast, with the result that less rubber is being produced. Another problem facing Malaysian rubber producers is a serious shortage of labour," said Mr Farouk.

Malaysia, for many years the world's biggest rubber producer, saw its production last year decline by 3.4 per cent. Thailand is now top of the world rubber production table.

Mr Farouk said that there was general agreement at the meeting that the direct trading system had produced considerable distortions in the market. "The volume of direct trade reduced liquidity in the market. We are all agreed that natural rubber still has bright prospects in the long term. But we must have a more transparent pricing system," said Mr Farouk.

The meeting here set up a committee to examine how Kuala Lumpur, Bangkok and Jakarta, which have physical markets, could link up with Singapore to develop a proper rubber international futures market. "It is important that the futures market is linked to the producing countries so the cost of production can be adequately reflected in the market price," said Mr Farouk.

The committee will also examine ways of pricing natural rubber as an industrial product, rather than a commodity, on the international market. Mr Farouk said that a final decision on setting up the new market system would probably be taken later this year.

Rubber output in Indonesia, the world's second largest producer, is expected to fall by between 10 and 12 per cent in the first half of 1992 because of to poor weather and low prices, a senior industry official said yesterday, reports Reuter from Singapore.

"The government estimated that production will fall 10 per cent during the first semester (January-June) but our own estimate is about 12 per cent," said Mr Asril Sutan Amir, vice-chairman of the Rubber Association of Indonesia (Gapkindo).

He said first half output was forecast to fall by between 60,000 and 72,000 tonnes from the 600,000 tonnes last year. Indonesia's total 1992 output is expected to fall to about 1.1m tonnes from 1.2m tonnes in 1991, he added.

Producers prepare for coffee pact push

By David Blackwell

COFFEE PRODUCING countries will meet tomorrow and Sunday in London to try to tighten up their plans for a new international coffee agreement before meeting consumers next week.

The proposals agreed at a meeting of producers late last month were described by one anaylst as "deliberately vague". They envisaged a global export quota of about 62m bags (60 kg each), incorporating selectivity between different types of coffee and shared out between producing countries on the basis of export performance in the free market since the collapse of export quotas in July 1989.

Mr Nestor Osorio, Colombian delegate to the International Coffee Organisation, said yesterday that with prices at 20-year lows there was urgent need for market regulation. "Producers are completely committed – we shall be trying over the weekend to agree concrete proposals to take before the consumers."

Among the problems the producers will be trying to untangle are quota allocation and a viable control system.

Colombia, the second biggest coffee producer after Brazil, has been the main driving force behind moves towards a renewed pact. Mr Osorio believes if the political will is there, movement towards a new agreement could be quick. "I think we have already lost a lot of time."

Consumers do not appear to be in so much of a hurry. Mr Lawrence Eagles, analyst with GNI, the London futures broker, points out that the willingness of the US, the biggest consumer, to tolerate an agreement is based on solely on the political motive of fighting the Colombian drug barons.

In any case they may not agree to such a low overall quota as 62m bags, which is 10m bags below consumption and would force them to draw down their stocks.

Market observers are not optimistic. Last week Mr Mark Dumas, managing director of E.D & F. Man, the big London trade house, told a coffee conference: "My personal view is that unfortunately there will not be a new agreement with powers to control the market".

The Economist Intelligence Unit said yesterday in its World Commodity Forecasts that it did not believe the producers will succeed in their aim of activating a new agreement from October as the issues are too complex.

Grenada hopes to revive nutmeg cartel

Canute James reports on plans to give price support another try

THE WORLD'S two largest nutmeg producers are contemplating the destruction of about 10,000 tonnes of stocks as part of an effort to stiffen the market and improve prices. The destruction of the stocks, held by Indonesia and Grenada, will be discussed by both countries in a few weeks when the Grenadians will attempt to interest the Indonesians in the recreation of the nutmeg cartel that collapsed two years ago.

The producers will also attempt to cut commodity brokers out of the industry, and try to market directly to consumers.

"The stocks which both countries have are a liability and not an asset, and they are depressing prices," said Mr Denis Noel, Grenada's junior minister of foreign affairs. "We will consider using the strategy of major coffee producers, which is to destroy some of the stocks. But any destruction will have to be done jointly."

Indonesia produces 75 per cent of the world's nutmeg and Grenada 23 per cent. World production is about 12,000 tonnes a year at present, while annual demand is for only 9,000 tonnes, according to Mr Noel.

The co-operation that the Grenadians are seeking will be outlined to the Indonesian producers when a high-level government delegation from the eastern Caribbean island visits Jakarta. Getting agreement on the destruction of the stocks is one aspect of Grenadian plans to resurrect the cartel, which foundered on changes in the Indonesian government's economic policy involving extensive deregulation of the economy.

The subsequent removal of controls on the volumes put on the market has sent prices down. In 1986, before the cartel was established, the world price for nutmeg was about US$1,000 a tonne. The marketing pact, in which both countries set minimum prices for the nut, led to an increase to about $7,000 a tonne. According to Mr Noel, prices are now about $2,000 a tonne.

In preparing the ground for closer collaboration, Grenada and Indonesia recently established diplomatic relations. But Indonesian officials, saying they wanted to see what proposals the Grenadians will be making before commenting on their own position, have indicated that even if it is revived, the marketing agreement will not be similar to the cartel that existed before.

"In a deregulated economy where market forces are at play, it is out of place for us to embrace any mechanism which seeks to control the market and to fix prices," one official explained.

Strengthening the market is more important for Grenada than it is for Indonesia. Nutmeg is a significant foreign currency earner for the Caribbean island but represents only a part of a larger spice industry in Indonesia. "The nutmeg industry represents the major foreign currency earner for Grenada," confirmed Mr Noel.

When the Indonesian producers group, Aspin, and its Grenadian counterpart, the GCNA, signed the agreement creating the cartel, there were quick and significant benefits for the Caribbean island. Earnings from exports in 1986 were $1.85m, but the following year Grenadian farmers received $5.55m in surplus payments.

Under the agreement creating the cartel, the Indonesian producers undertook to sell their high quality nutmeg at between $6,800 and $7,000 a tonne and low quality at between $1,000 and $1,200 a tonne. For their part, the Grenadians committed themselves to minimum prices of $6,650 a tonne for their best nutmeg and $5,575 a tonne for poorer quality.

Indonesia's high quality mace, the red lacy substance that surrounds nutmeg, had a minimum price of $13,500 a tonne, with low quality not being sold below $6,000 a tonne. The Grenadians agreed not to accept less than $11,750 a tonne for their premium mace or $5,750 for the secondary product.

The two producers' groups also agreed to control the volume of nutmeg and mace placed on the market in order to maintain price stability. The agreed volumes were determined on the basis of average production and stocks held by both. Grenada's stocks reached 5,500 tonnes, with Indonesia's at 4,000 tonnes, said Mr Noel.

The cartel had a short life. By 1989 Grenadians were accusing the Indonesians of reneging on the pact by selling nutmeg and mace below the minimum prices.

An attempt to repair the damage had seemed to be successful, with Indonesian and Grenadian officials agreeing to restore the cartel's pricing policy, the Indonesians undertaking to sell their spice at 5 per cent above the agreed minimum and the Grenadians adding 10 per cent to their prices.

But when the new economic policies were implemented in Indonesia, Grenada's industry threw in the towel and reduced prices in an effort to hold on to market share. The GCNA dropped the price of its top quality nuts by $2,300 a tonne, and the price of premium quality mace was reduced by $4,000 a tonne.

"When we talk with the Indonesians, we will also discuss co-operation in marketing, which will allow us, as the producers, to deal directly with end users," said Mr Noel. "This will allow us to bypass the commodity brokers. The previous agreement collapsed, not because it was unworkable, but because of changes in Indonesia."

S African coal prices give 'barely adequate' return on investment

By Philip Gawith in Johannesburg

CONTRACT PRICE levels for coal are barely adequate at present to offer South African producers a return on existing investments, never mind encourage new investment, says Mr Allen Cook, chief executive of Randcoal, South Africa's second largest producer.

Speaking at a recent conference in Australia, Mr Cook said although international demand for South African coal would continue to rise in future years, there were two major points of concern for the local industry. The first concerns the high rate of cost escalation in recent years, which is eroding South Africa's competitive position. This is a function of increased wage demands, rising transport costs and continuing inflation of about 15 per cent.

Mr Cook said there was a significant drive in the industry to lower costs by improving productivity. Agreement has also been reached with Spoornet, the state rail company, to peg rail freight costs on the line to the Richards Bay export port in the next few years at about half the inflation level.

The second issue is that "current market conditions, recent price history and some buyers' attitudes to pricing" militate against further investment. Mr Cook said a buyers market had existed for a number of years, with the real price for coal declining in all major currencies. "The cost squeeze on producers has led to a number of mine closures which, in the medium term, will be detrimental to the continued secure supplies of coal from major producing companies," said Mr Cook. He added that it was in the interest of all parties that a "reasonable" price level should be set that encouraged future investment in coal.

South Africa has port capacity to export 53m tonnes a year. Fob contract prices would have to rise by between $5 and $£8 a tonne to make projects to expand capacity beyond this point viable, said Mr Cook.

Coal is South Africa's second largest export earner after gold. Last year the country earned R4.2bn (£630m) from exporting 48.5m tonnes of coal. Mr Cook said that with sanctions gone, large potential new markets were opening up, particularly in Japan, Korea, Denmark, France, Holland, UK and US. He said that Western Europe had regained its position as the main destination for South African exports. Mr Cook said Europe remained a major growth market for South African coal that was price competitive, "particularly if the price of coal from current low-price producers in CIS and Poland begins to reflect the actual cost of production".

Commodity price revival forecast

PRICES FOR most commodities could show a strong revival in 1993 if the economies of the leading industrialised countries recover enough to stimulate demand for raw materials, according to the Economist Intelligence Unit, writes Our Commodities Staff.

"We expect the global economy to pick up in 1992 and most commodities are sensitive to change on the demand side," said Mr Alec Gordon, editor of the unit's World Commodity Forecasts.

In the latest edition, of the 26 commodities prices covered by the EIU, 18 are seen as fetching higher prices in 1993 than this year, when many commodity prices hit new lows because of the recession.

In the soft commodities, crops may be badly hit by drought and the ensuing supply problems should support prices, Mr Gordon said.

He expected tea, sunflower and soyabean oils prices to do better in 1993 than this year. The coffee and cocoa markets are still heavily oversupplied but if stock control measures succeed, prices could recover strongly, Mr Gordon said.

Nickel, with its fortunes strongly linked to stainless steel production, would benefit from a strengthening consumer goods sector, while use of copper strongly depended on an upturn in the construction and power transmission sectors, the EIU said.

Price Forecasts

	1992	1993	change %
Cocoa (c/lb)	51	60	+17.7
Tea (p/kg)	115	128	+11.3
Sugar (c/lb)	9.03	9	−0.3
Wheat ($/t)	152	145	−4.6
Soyaoil ($/t)	438	483	+10.3
Copper (c/lb)	99.5	110	+10.6
Tin ($/lb)	2.84	3.39	+19.4
Zinc (c/lb)	57.5	64.3	+11.8

Source: EIU

Philippines coconut output falls sharply

By William Keeling in Jakarta

COCONUT PRODUCTION in the Philippines, the world's leading exporter of coconut oil and copra, may be 29 per cent less this year than originally forecast, officials of the Asian and Pacific Coconut Community said yesterday.

Mr P.G. Punchihewa, executive-director of the APCC, said that more than eight months of low rainfall had severly affected the Philippines' production and that 1992 production, measured in copra equivalent, was likely to be between 1.4m and 1.5m tonnes. In January the APCC estimated production would be 1.98m tonnes.

Industry officials say low rainful has been excacerbated by the eruption of Mount Pinatuba and they do not expect production to recover until 1994. In 1990 the Philippines produced nearly 2.5m tonnes of coconuts.

Stocks of coconut oil in Rotterdam, the main trading centre, have fallen sharply in the past year to 61,175 tonnes in mid-May from 134,575 tonnes in May last year.

Copra meal stocks have also declined as a result of a 35 per cent year-on-year fall in exports from the the Philippines for January-April to 141,019 tonnes.

Indonesia's exports of copra meal also declined, by 59 per cent in January and February to 38,162 compared with the same period last year. However, Mr Punchihewa said that Indonesia had enjoyed better than forecast rains and 1992 estimated coconut production at 2.25m tonnes remained unchanged.

APCC officials said they expected the world market price of coconut oil to average $600 a tonne cif this year, up from $433 per tonne in 1991. In the longer-term, officials believe world prices will be sustained by demand growing faster than supply.

WORLD COMMODITIES PRICES

MARKET REPORT

LME **TIN** prices closed near 25-month highs. Three-month tin's early test of support at $6,600 a tonne encouraged buying in the afternoon and the market quickly made headway to within a whisker of the $6,700 level. Dips continue to attract buying interest and sentiment is also aided by forward technical tightness. **ZINC** was again buffeted by waves of liquidation, three-month metal dropping below support at $1,210 a tonne at one stage to touch a $3\frac{1}{2}$-month low of $1,206. The squeeze continued to unravel, exerting pressure, traders said. Traders were expecting LME warehouse stocks to rise again today. Comex **COPPER** remained lower at midsession on the heels of Chinese selling and falling equities markets. "The Chinese selling was enough to cap the market," said one New York analyst. Floor sources said many players took profits from Wednesday's rise to lifetime highs across the board. The slippage in the Japanese and US stock markets weighed on sentiment by pointing to lessening demand. New York raw **SUGAR** prices were lower at midday as profit taking emerged after Wednesday's advance above 11 cents a lb for the July contract.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$19.00-9.05z	+.075
Brent Blend (dated)	$21.10-1.25	+.100
Brent Blend (Aug)	$21.05-1.15	+.150
W.T.I (1 pm est)	$22.30-2.35z	+.150
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$234-236	
Gas Oil	$187-188	+2
Heavy Fuel Oil	$83-85	+1
Naphtha	$199-201	-1
Petroleum Argus Estimates.		
Other		**+ or -**
Gold (per troy oz)♣	$341.95	-0.40
Silver (per troy oz)♣	408.0c	-2.0
Platinum (per troy oz)	$364.10	-3.75
Palladium (per troy oz)	$80.50	-0.50
Copper (US Producer)	108.49c	+1.04
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	16.33r	+0.01
Tin (New York)	310.50c	+3.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	113.49p	+1.82*
Sheep (live weight)†♣	86.65p	-3.55*
Pigs (live weight)†	93.70p	-3.46*
London daily sugar (raw)	$271.0t	+9.5
London daily sugar (white)	$295.0t	+0.5
Tate and Lyle export price	£285.5	+6.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£146.0	-1.0
Wheat (US Dark Northern)	Unq	
Rubber (Jul)♥	52.00p	
Rubber (Aug)♥	52.00p	
Rubber (KL RSS No 1 Jul)	222.0r	
Coconut oil (Philippines)§	$595.0w	-10.0
Palm Oil (Malaysian)§	$410.0y	-7.5
Copra (Philippines)§	$387.5y	-12.5
Soyabeans (US)	£146.5	
Cotton "A" Index	88.40c	+0.5
Wooltops (64s Super)	398p	-8

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jun/Jul y-July w-Jul/Aug z-Aug. . †Meat Commission average fatstockprices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	242.00	248.20	246.00 240.00
Oct	223.40	226.80	226.40 221.40
Dec	212.00	210.00	209.00 209.00
White	**Close**	**Previous**	**High/Low**
Aug	288.90	291.60	290.00 283.10
Oct	271.00	274.50	273.00 268.10
Mar	275.00	278.00	276.50 274.00
May	279.50		281.00 278.50

Turnover: Raw 374 (207) lots of 50 tonnes. White 1469 (1131).
Paris- White (FFr per tonne): Aug 1558.61 Oct 1456.02

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Aug	21.10	21.11	21.14 21.06
Sep	21.05	21.01	21.06 20.99
Oct	20.91	20.88	20.95 20.89
Nov	20.80	20.75	20.80 20.79
Dec	20.70	20.69	20.70
Jan	20.60	20.50	20.60
IPE Index	20.98	21.09	20.98

Turnover 8000 (15739)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jul	188.75	187.25	189.25 188.50
Aug	190.50	189.00	190.75 189.50
Sep	192.75	191.00	192.75 191.75
Oct	195.25	193.50	195.25 194.00
Nov	196.75	195.25	197.00 196.00
Dec	197.75	196.75	198.25 197.50
Jan	195.75	194.50	196.00 195.75
Feb	193.00	193.00	193.25 193.00
Mar	189.25	189.00	189.00

Turnover 6878 (13768)lots of 100 tonnes

FRUIT & VEGETABLES
Top quality English strawberries remain plentiful this week with prices at 90p-£1.20 (90p-£1.20) a lb reports the FFVIB. New Zealand kiwifruit at 20-23p each (20-25p) is a good fruit buy, along with Spanis, French, and Italian peaches at 15-20p (20-30p) each. Peas are this week's best vegetable buy priced at 30-50p a lb (45-55p). Jersey Royals and English potatoes at 10-15p a lb (15-20p) continue to be excellent value. English tomatoes are superb this week at 40-65p a lb (45-50p), along with celery at 50-60p a lb (50-60p) and English Spring onions at 40-43p a bunch (35-45p).

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	614	616	617 612
Sep	533	533	534 528
Dec	564	563	564 558
Mar	595	598	594 588
May	611	612	614 609
Jul	630	631	632 630
Sep	651	650	651 649
Dec	680		678 676
Mar	707	703	702

Turnover: 3084 (6361) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 17 682.47 (686.06) 10 day average for Jun 18 673.65 (674.14)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jul	701	711	705 698
Sep	728	736	732 723
Nov	749	759	753 745
Jan	768	779	772 768
Mar.	790	815	792 785
May	808		813 806
Jul	828		832 825

Turnover:1467 (2983) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 17: Comp. daily 49.32 (49.54) 15 day average 48.97 (49.03)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	89.0	91.8	91.5 88.5

Turnover 82 (85) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	122.60	123.00	

Turnover 0 (0)lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jun	1148	1140	1150 1135
Jul	1060	1046	1065 1046
Aug	1085	1080	1085 1085
Oct	1200	1190	1200 1195
Jan	1243		1243 1235
Apr	1245		1245 1225
BFI	1152	1154	1152

Turnover 107 (417)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jun	122.05	122.00	122.05 121.75
Sep	110.85	110.90	110.90 110.85
Nov	113.65	113.80	113.80 113.60
Jan	117.25	117.30	117.30 117.20
Mar	120.25	120.40	120.30 120.25
May	123.10		123.10
Barley	**Close**	**Previous**	**High/Low**
Sep	107.70		107.70 107.60
Nov	111.15	111.35	111.35 111.15
May	119.25		119.25 119.20

Turnover: Wheat 103 (79) , Barley 47 (70).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	114.8	114.5	114.5
Aug	104.8	105.0	104.8 104.5
Nov	107.0	108.0	107.0 106.5

Turnover:12 (17) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 26,486 lots	
Cash	1264.5-5.5	1274-5		1265.5-6		
3 months	1288.5-9.5	1300-1	1297/1288	1290.5-1	1287-8	154,669 lots
Copper, Grade A (£ per tonne)					Total daily turnover 23,341 lots	
Cash	1225.5-8.5	1234-5	1229	1228-9.5		
3 months	1246-6.5	1254-4.5	1250/1245	1249.5-5	1246-7	104,057 lots
Lead (£ per tonne)					Total daily turnover 3,592 lots	
Cash	290-90.5	290-1		292-2.5		
3 months	301-1.5	301.5-2	304/301	303.5-4	300-0.5	16,143 lots
Nickel ($ per tonne)					Total daily turnover 3,582 lots	
Cash	7145-55	7160-5		7141-5		
3 months	7225-30	7240-5	7240/7220	7220-3	7240-5	23,687 lots
Tin ($ per tonne)					Total daily turnover 2,813 lots	
Cash	6665-70	6610-5		6610-20		
3 months	6670-75	6620-5	6690/6600	6620-3	6685-7	9,632 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 21,936 lots	
Cash	1315-20	1305-10	1290	1285-90		
3 months	1210-11	1221-2	1223/1206	1208.5-9.5	1210-1	61,569 lots

LME Closing £/$ rate:
SPOT: 1.8855 3 months: 1.8395 6 months: 1.8156 9 months: 1.7961

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	341.80-342.10	
Opening	341.00-341.40	
Morning fix	340.90	184.071
Afternoon fix	341.25	183.054
Day's high	341.85-342.15	
Day's low	340.70-341.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.46	6 months	3.38
2 months	3.41	12 months	3.49
3 months	3.38		

Silver fix	p/troy oz	US cts equiv
Spot	219.70	408.75
3 months	226.00	412.50
6 months	230.40	416.75
12 months	241.45	427.20

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	341.25-342.25	183.00-183.50
Maple leaf	352.00-353.00	188.75-189.25
New Sovereign	83.00-84.00	44.50-45.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	71	90	3	8
1300	3	24	31	36
1400	3	3	129	114
Copper (Grade A)	**Calls**		**Puts**	
2150	141	141	3	3
2250	43	60	3	21
2350	3	15	60	75
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
700	46	70	20	21
750	21	42	46	43
800	9	25	83	78
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
525	25	56	17	17
550	15	41	32	27
575	8	29	50	40
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
2100	47	56	36	66
2150	28	37		
2200	13			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	342.6	341.2	342.8	341.2
Jul	343.1	341.8	0	0
Aug	344.2	342.9	345.2	342.6
Oct	346.0	344.6	346.5	344.7
Dec	348.0	346.8	349.2	346.5
Feb	350.2	349.1	350.6	349.9
Apr	352.4	351.3	353.1	353.0
Jun	354.6	353.7	0	0
Aug	357.3	356.3	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jun	368.4	368.4	0	0
Jul	358.4	361.9	361.0	357.0
Oct	366.3	369.8	366.6	366.0
Jan	366.0	368.5	367.0	364.0
Apr	364.9	368.4	365.5	365.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	408.6	408.4	409.0	408.0
Jul	409.2	409.0	411.0	407.5
Aug	411.0	410.8	0	0
Sep	412.4	412.2	414.0	411.0
Dec	417.0	416.8	419.0	415.5
Jan	418.7	418.5	0	0
Mar	422.1	421.9	0	0
May	425.6	425.4	425.5	425.5
Jul	429.1	428.9	429.5	429.0
Sep	433.2	433.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	104.25	104.20	104.30	104.00
Jul	104.40	104.20	104.55	103.80
Aug	104.55	104.30	0	0
Sep	104.70	104.45	104.80	104.00
Oct	104.60	104.40	0	0
Nov	104.55	104.30	0	0
Dec	104.50	104.25	104.65	104.00
Jan	104.20	103.90	0	0
Feb	103.90	103.60	0	0
Mar	103.60	103.45	103.60	103.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	10.81	11.05	11.04	10.70
Oct	9.81	10.02	10.04	9.84
Mar	9.69	9.84	9.84	9.66
May	9.62	9.78	9.70	9.62
Jul	9.54	9.70	9.64	9.57
Oct	9.47	9.53	9.60	9.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	22.26	22.29	22.33	22.16
Aug	22.34	22.34	22.39	22.26
Sep	22.28	22.26	22.31	22.20
Oct	22.21	22.18	22.21	22.14
Nov	22.10	22.08	22.12	22.09
Dec	22.04	22.00	22.04	21.99
Jan	21.91	21.87	21.91	21.80
Feb	21.77	21.74	21.74	21.85
Mar	21.60	21.60	21.60	21.57
Apr	21.40	21.46	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	6105	6099	6125	6085
Aug	6165	6153	6180	6130
Sep	6260	6261	6280	6250
Oct	6355	6346	6370	6345
Nov	6440	6431	6455	6440
Dec	6528	6511	6530	6515
Jan	6520	6520	6530	6520
Feb	6400	6390	6410	6400
Mar	6150	6145	6150	6150
Apr	5930	5920	5930	5930

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	826	813	832	813
Sep	873	863	877	863
Dec	925	919	929	919
Mar	973	966	976	967
May	1004	1000	998	997
Jul	1033	1029	1030	1030
Sep	1063	1059	1065	1060
Dec	1103	1099	0	0
Mar	1135	0	0	0
May	1165	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	60.40	61.45	61.50	60.30
Sep	62.60	63.50	63.45	62.35
Dec	65.60	66.40	66.35	65.25
Mar	68.60	69.00	69.00	68.40
May	72.60	73.10	73.20	72.60
Jul	75.00	75.65	76.25	75.00
Sep	76.00	77.25	77.00	76.75

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	82.18	83.93	82.50	81.90
Oct	64.27	65.05	64.60	64.00
Dec	64.20	65.50	64.55	63.95
Mar	65.16	65.60	65.40	65.05
May	65.55	63.68	65.60	65.46
Jul	65.50	63.25	65.65	65.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	126.60	125.85	127.40	125.70
Sep	118.90	118.10	119.20	117.90
Nov	114.30	113.75	114.60	113.50
Jan	113.90	113.05	113.90	113.00
Mar	113.75	113.00	114.00	114.00
May	113.35	112.60	0	0
Jul	113.35	112.60	0	0
Sep	113.35	112.60	0	0
Nov	113.35	112.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jun.18	Jun.17	mnth ago	yr ago
1592.3	1594.6	1597.0	1772.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun.17	Jun.16	mnth ago	yr ago
Spot	119.16	118.96	117.74	130.44
Futures	120.12	119.79	118.24	128.01

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	603/6	602/6	604/6	595/4
Aug	607/4	606/4	608/0	598/4
Sep	613/0	611/0	614/4	604/4
Nov	619/2	618/4	621/0	610/4
Jan	627/4	626/4	628/0	619/4
Mar	635/0	634/0	635/4	628/0
May	640/6	637/0	641/0	632/0
Jul	642/0	639/0	642/0	634/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	20.69	20.75	20.80	20.54
Aug	20.84	20.91	20.96	20.70
Sep	21.05	21.12	21.11	20.90
Oct	21.20	21.27	21.25	21.08
Dec	21.51	21.57	21.60	21.35
Jan	21.64	21.67	21.65	21.60
Mar	21.87	21.97	21.90	21.75
May	22.10	22.15	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	181.9	181.5	182.3	179.9
Aug	182.9	182.2	183.2	180.8
Sep	183.4	182.9	184.0	181.7
Oct	200.4	199.8	200.5	198.0
Dec	200.7	200.5	201.0	198.6
Jan	201.5	201.1	201.5	200.2
Mar	201.5	201.6	201.5	200.7
May	201.5	201.0	201.5	201.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	249/6	251/4	250/4	248/4
Sep	254/2	256/0	254/4	252/2
Dec	257/4	259/2	257/4	255/2
Mar	264/4	266/4	264/6	262/2
May	267/6	269/2	267/6	266/0
Jul	270/4	272/2	270/4	268/4
Sep	258/0	259/0	0	0
Dec	256/0	254/4	256/0	252/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	352/4	354/6	354/4	351/4
Sep	355/4	358/0	357/2	354/4
Dec	363/4	365/0	365/0	362/0
Mar	362/0	365/0	364/0	362/0
May	351/0	355/0	352/0	350/0
Jul	332/4	335/4	333/0	332/0
Sep	339/4	342/4	0	0
Dec	349/4	352/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	73.125	73.400	73.375	73.075
Aug	70.825	71.050	71.050	70.700
Oct	70.875	71.000	70.975	70.650
Dec	70.025	70.225	70.175	69.925
Feb	69.575	69.750	69.750	69.500
Apr	70.650	70.700	70.850	70.650
Jun	68.075	68.100	68.200	68.075

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	49.850	49.450	49.875	49.400
Jul	46.275	46.250	46.600	46.075
Aug	43.750	43.525	44.250	43.625
Oct	39.850	39.700	40.250	39.725
Dec	42.000	41.925	42.350	41.900
Feb	43.250	43.400	43.500	43.250
Apr	42.225	42.350	42.300	42.100
Jun	47.350	47.500	47.550	47.250

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	32.700	32.675	33.650	32.250
Aug	30.425	30.700	31.300	30.050
Feb	42.100	42.500	42.550	41.850
Mar	42.250	42.250	0	41.900
May	42.800	43.250	42.800	42.300
Jul	42.650	43.050	0	42.650

Bearish factors overwhelm equities

By Terry Byland, UK Stock Market Editor

CONFIDENCE cracked on the London stock market yesterday morning in the face of a wave of alarming developments at home and abroad. Equities suffered their worst trading session of the year as the FT-SE Index fell by nearly 40 points at midsession and large lines of blue chip stocks came on to the market.

Most of the damage to share prices came early. London had already reacted strongly to the falls overnight of 400.24 on the Nikkei Index and 41.73 on the Dow Average when it was dealt a further, and in immediate terms, more serious blow. GPA, the world's largest aircraft leasing group, withdrew its planned $1bn global share offering, barely four hours before it was due to announce the pricing details.

But not even this unprecedented development proved to be the end of the day's woes. ICI's share price began to crumble as the first reports trickled back to the City from the company's meeting with analysts, who then began to cut profit forecasts for the Britain's blue chip chemical group. The ICI meeting caused fresh doubts over the progress of UK companies.

The Footsie fell to 2,559.1, abandoning an important support level as large blocks of stock in such well-known names as British Gas, Midland, and Hanson came on to the market.

Account Dealing Dates		
*First Dealings:		
Jun 1	Jun 15	Jun 29
Option Declarations:		
June 11	Jun 25	Jul 9
Last Dealings:		
Jun 12	Jun 26	Jul 10
Account Day:		
Jun 22	Jul 6	Jul 20

*New-time dealings may take place from 8.30 am two business days earlier.

An attempted rally was unsuccessful and although Wall Street was only 5 Dow points off in London trading hours, the UK market closed in a mood of gloom. The final reading put the FT-SE Index at 2,562.7 for a day's loss of 35.7.

The GPA decision, prompted by a lack of institutional support, reportedly in London and the US, cast a chill over the rest of the aerospace sector and also discouraged stocks such as Wellcome and Lasmo where prospective share placings were threatened.

The depressed state of the market yesterday masked a relatively favourable reception for the day's statistics on UK employment, unit costs and money supply. The increase in May's unemployment total was smaller than expected and buttressed the view that "economic recovery is in place rather than in doubt," according to Mr Ian Harnett at Strauss Turnbull.

Some of the pressures came from basket trading between stock and stock index futures. Today brings Triple Witching Hour on Wall Street and also expiry in London of the June contract on the Footsie. A very large seller of the September Footsie future appeared in London yesterday afternoon and several leading trading houses were struggling to square up open positions between futures and the underlying blue chip stocks.

Seaq-reported volume increased sharply to 517.9m shares from the 423.7m of the previous session. But these figures include both customer and intra-market business. Customer, or retail activity in UK equities has remained light this week, and was worth only £868.7m on Wednesday. The low level of genuine customer investment business has left some traders with exposed positions in both the June contract on the Footsie and also in the blue chip stocks.

Aviation stocks suffer

THE SHOCK caused by the withdrawal of GPA's global share offer sent tremors through the aerospace sector, leading to falls in British Aerospace and Rolls-Royce.

At the day's worst, BAe was down 28 as confidence in the aviation industry received a sharp knock. Some dealers also talked of the possible effects of the GPA move on its orders for Airbus aircraft. GPA is one of Airbus's biggest customers and BAe holds 20 per cent of the equity.

Sentiment was further weakened by fears of bad news when the BAe chairman met UK analysts yesterday evening in Berlin. Bargain hunters helped the shares come off the bottom and they ended 16 off at 277p on turnover of 3.6m.

Rolls-Royce was also affected by the news from GPA but it was speculation, later proved unfounded, regarding problems at an important customer of Rolls-Royce which caused the increased turnover and fall in share price. Volume rose to 13m as the shares retreated 8 to 161p. Profit-taking after the recent rise in the shares was also said to have been a factor.

Gloom at ICI

A gloomy progress meeting at ICI prompted a number of securities houses to cut their forecasts for the group and led to a sharp fall in the share price. The stock was further affected by the continuing overhang of the stake sold by Hanson. The shares closed a net 36 lower at 1235p.

Mr Charles Lambert of Smith New Court said the previous consensus forecast for 1992 profits had been £955m, and he was cutting back to £875m from around the £900m mark. One ICI broker was widely believed to have cut his estimate to £830m from £900m.

Analysts said ICI highlighted the disappointing performance of Agrichemicals and the flat progress of the industrial chemicals arm. Mr Lambert added: "They are saying nothing particularly different from anyone else in the industry, but they had shown a glimmer of hope at the end of the first quarter and, formally, they have gone more cautious than they were."

The shares were also overshadowed by the 2.8 per cent stake that Goldman Sachs bought from Hanson for 1400p a share in early May. The US investment bank is still thought to have at least 10m of the shares on its book.

Ladbroke supported

Best performer in the leisure sector yesterday was Ladbroke, which put on 2 to 208p as Hoare Govett and County NatWest both turned buyers. The shares had been under pressure for several weeks following a series of downgrades, with analysts focusing on the group's property portfolio, particularly in the US.

According to Ms Lisa Gordon at County, Ladbroke is now trading at close to a 10-year relative low, and "in a market looking for decent yields the company promises a safe 7.6 per cent based on a 6 per cent increase in dividend this year". Mr Hamish Dickson at Hoare agrees and, while retaining reservations about the property exposure, believes Ladbroke will generate sufficient revenue to raise its dividend.

Rumours of a downgrade in Forte by its broker, UBS Phillips & Drew, persisted in spite of the house's firm denial. It was said that UBS was now at the bottom of the market range. The shares receded 5 to 209p.

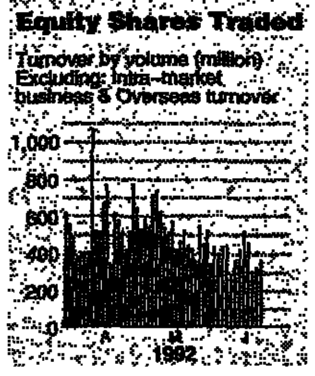
A number of big Footsie stocks saw heavy trading yesterday as a rumour went round the market that the Kuwait Investment Office was lightening its portfolio. There was also talk that depressed marketmakers were cutting both their losses and books after a grim week.

A block of 9m British Gas shares traded at 184¼p was behind a heavy overall turnover of 23m for the stock, which fell 5½ to 247p. Royal Bank of Scotland saw a line of 9m shares dealt each way at 185p and closed 9 off at 186p. Hanson, enlivened by a block of 6m shares sold into the market, slipped 5¼ to 209¼p with 21m traded.

Flotation worries and a profits forecast cut hit Lasmo, which fell 10 to 199p. Analysts had generally expected the oil exploration company to announce the pricing for the flotation of its North American assets acquired when it bought Ultramar. The announcement was expected on Wednesday, but its non-appearance combined with the withdrawal of the GPA float created market concern. Also, Strauss Turnbull revised its 1992 forecast to a loss of £27m from a previously estimated deficit of £4m.

Wellcome, expected to raise about £4bn through a heavy share flotation this summer, was also hurt by the GPA news. The shares fell 25 to 919p. However, analysts remained convinced that the flotation was secure.

A 10 per cent dividend rise and profits towards the top of market expectations failed to prevent water company Severn Trent declining 7 to 375p. Regional electricity supplier Manweb eased 2 to 342p after announcing a 61 per cent increase in profits, in line with forecasts.



A block of around 9m shares in United Biscuits was reported to have stuck in the market. United, hit by a profits downgrading earlier this week, lost 5½ to 362p as 2.1m shares were traded. Hillsdown was off 5 at 159p after a substantial placing resulted in turnover of 28m shares.

Bass managed to gain a penny to 604p as shares in the leading brewing and drinks groups generally weakened. UBS Phillips & Drew refused to comment on suggestions that the securities house had recommended a switch into Bass and out of Whitbread "A", down 10 at 434p.

Mr Andrew Thompson, analyst at Kleinwort Benson, advised investors overweight in Allied-Lyons to switch into Grand Metropolitan, but added that he is only making such a recommendation after Allied's recent rise and has not changed his advice on the stock from a hold. Allied slipped 18 to 644p, while Grand-Met lost 6 to 475p but performed better than most leading shares in the sector.

Guinness, 10 cheaper at 573p, was depressed by a profits downgrading from Kleinwort.

Tyne Tees Television jumped 34 to 263p following a £30m agreed bid from Yorkshire TV, which fell 7 to 169p.

Speculation in the French media that a takeover for Eurotunnel was in the pipeline helped lift the shares 8 to 345p.

Shares in TI, which recently took over aerospace and information technology company Dowty Group, were affected by the GPA announcement and fell 14 to 353p. Also affected by the same sentiment was British Airways, 7 lighter at 263p.

MARKET REPORTERS:
Christopher Price,
Peter John, Joel Kibazo,
Colin Millham.

■ Other market statistics, Page 22

FINANCIAL TIMES STOCK INDICES

	June 18	June 17	June 16	June 15	June 12	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.75	88.76	88.74	88.70	88.82	83.75	89.62 (29/5)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.35	104.36	104.37	104.42	104.63	92.85	105.92 (2/6)	97.15 (2/1)	105.92 (2/6/92)	50.53 (3/1/75)
Ordinary Share●	1988.4	2022.1	2037.0	2028.4	2025.3	1948.3	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	103.2	105.7	106.3	104.3	103.7	199.5	160.6 (10/1)	103.1 (11/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2562.7	2598.4	2616.3	2593.6	2603.7	2494.7	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1186.54‡	1202.27	1207.68	1199.73	1207.55	1162.88	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.65	4.58	4.54	4.57	4.58	4.87				
●Earning Yld %(full)	6.82	6.72	6.65	6.70	6.69	8.58				
●P/E Ratio(Net)(☆)	18.36	18.65	18.83	18.70	18.75	14.33				
SEAQ Bargns 5.00pm	22,049	22,012	21,353	21,201	27,661	27,328				
Equity Turnover(£m)†	-	868.8	809.1	691.2	1099.2	840.10				
Equity Bargains†	-	24,094	24,465	23,914	30,736	28,049				
Shares Traded (ml)†	-	389.6	349.6	305.3	471.2	417.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.88 ‡ Partial.

Ordinary Share Index, Hourly changes — Day's High 2001.6 — Day's Low 1984.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1995.0	1995.1	2001.5	1999.5	1994.2	1993.0	1986.3	1988.9	1984.6

FT-SE 100, Hourly changes — Day's High 2578.4 — Day's Low 2558.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2570.5	2567.2	2578.1	2575.1	2569.6	2568.0	2559.1	2563.3	2559.2

FT-SE Eurotrack 200, Hourly changes‡ Day's High 1194.86 — Day's Low 1185.13

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1193.73	1192.50	1191.85	1192.18	1190.38	1186.95	1187.25

GILT EDGED ACTIVITY

Indices*	June 17	June 16
Gilt Edged Bargains	87.8	95.3
5-Day average	104.0	105.5

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	10	489	-4	Comm. Union	643	491	-8	Lucas	494	124	-3	Shell Transport	3,000	505	-5
ASDA Group	6,900	39½	-2	Cookson	250	149	-1	MB Caradon	730	276	-4	Siebe	928	698	-7
Abbey National	3,700	276	-6	Courtaulds	150	580	-10	MEPC	135	300	-2	Slough Ests	702	175	-7
Albert Fisher	780	70	-1	Dalgety	774	408	-10	Manweb	885	342	-2	Smith (W.H.) A	249	486	-
Allied-Lyons	1,800	645	-18	De La Rue	322	595	-12	Marks & Spencer	3,200	330	-3	Smith & Nephew	847	147½	-1
Amstrad	2,400	38	-1½	Dixons	1,200	245	-8	Midland Bank	10,000	420	-11	SmKl Beecham	1,400	865	-6
Anglian Water	1,000	395	-6	Eastern Elect.	457	277	-2	Midlands Elect.	120	301	-3	SmKl Beecham Uts.	101	3843	-40
Argos	182	268	+1	East Midland Elect.	781	291	+1	NFC	1,200	253	+2	Smiths Inds.	2,400	286	-7
Argyll Group	3,200	300	-1	Eng China Clays	349	527	+4	NatWest Bank	3,300	323	-7	Southern Elect.	53	289	-3
Arjo Wiggins	1,800	349	-8	Enterprise Oil	1,600	403	-2	National Power	2,800	288	-2	South Wales Elect.	133	391	-3
Ass. Brit. Foods	411	420	-14	Eurotunnel Units	851	345	+8	Next	2,800	95	-½	South West Water	84	395	-2
[illegible]															
Brit. Aerospace	4,100	277	-16	[illegible]	1,100	[illegible]	-4	Reuters	308	1094	-18	United Biscuits	2,100	362	-5½
British Airways	5,900	263	-7	ICI	2,000	1235	-36	Rolls Royce	13,000	161	-8	Utd. Newspapers	520	411	-8
British Gas	23,000	247	-5½	Inchcape	1,800	469	-9	Rothmans	39	1097	+1	Vodafone	3,300	335	-5
British Land	1,200	287	+1	Kingfisher	638	525	-4	Ryl Bk Scotland	21,000	186	-9	Warburg (SG)	292	545	-3
BP	3,800	248½	-5	Kwik Save	883	629	-2	Royal Insurance	881	232½	-6½	Wellcome	296	919	-25
British Steel	2,800	70	-2	Ladbroke	3,700	208	+2	Saatchi	542	170	-2	Welsh Water	619	425	-2
Bunzl	10	99	-4	Land Securities	1,400	401	-2	Sainsbury	1,000	462	-4	Wessex Water	109	485	
Burmah Castrol	900	613	-14	Laporte	190	602	-16	Scottish & New.	1,400	457	-1	Whitbread 'A'	423	434	-10
Burton	3,200	50¼	+½	Legal & General	486	377	-8	Scot. Hydro-Elect.	652	182½		Williams Hldgs.	1,600	319	-8
Cable & Wire.	1,500	553	-7	Lloyds Abbey	553	370	-6	Scottish Power	2,100	180½	+½	Willis Corroon	2,800	232	-12
Cadbury Schweppes	1,600	466	-6	Lloyds Bank	1,600	481	-6	Sears	2,400	90	-1	Wimpey	219	152	-2
Calor Group	34	188	-3	LASMO	2,000	199	-10	Sedgwick	945	200	-4	Wolseley	123	400	+5
Carlton Comms.	549	615	-14	London Elect.	573	320		Seeboard	389	307	-1	Yorkshire Elect.	1,000	353	-6
Coats Viyella	801	198	+3	Lonrho	3,700	81		Severn Trent Water	2,900	375	-7	Yorkshire Water	71	445	-5

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE withdrawal of GPA's global share offer, the poor overnight performances on Wall Street and Tokyo, and a gloomy outlook for several leading UK stocks, combined to unsettle stock index futures in a volatile session, writes Joel Kibazo.

On its last full day of trading ahead of today's expiry, the June FT-SE contract opened at 2,571 and was briefly squeezed forward to 2,574. But that momentum was curtailed as the market focused on the poor showing in other leading markets and the news from GPA. James Capel was also reported to have had a sizeable seller, all of which caused a retreat in the June future.

A rally was, however, seen late morning which sent June climbing to 2,575. But that petered out in the early afternoon after downgradings of profits expectations following a meeting at ICI, leaving the contract to drift to the day's low of 2,552.

A rally just before the official market close resulted in June finishing at 2,565, a five-point premium to the cash market, as turnover reached 10,844 lots.

In the traded options market, trading in the FT-SE option, which expires today, took centre stage as a total of 21,821 contracts were transacted out of the day's market total of 39,745 lots.

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday June 18 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Jun 17 Index No.	Tue Jun 16 Index No.	Mon Jun 15 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (178)	848.95	-1.4	6.78	5.42	19.13	16.21	860.57	861.64	851.91	820.76
2 Building Materials (22)	960.06	-0.6	5.83	5.84	23.05	22.03	965.86	971.03	959.01	1046.50
3 Contracting, Construction (28)	882.08	-1.0	4.04	6.85	52.58	24.60	891.11	887.82	878.69	1246.95
4 Electricals (8)	2532.25	-0.4	6.81	6.09	19.09	68.82	2543.45	2559.73	2562.71	2346.94
5 Electronics (29)	1983.51	-0.7	8.06	4.29	15.64	9.02	1998.20	2002.72	1979.23	1736.85
6 Engineering-Aerospace (6)	353.31	-4.0	10.32	7.38	12.26	11.27	368.13	370.86	364.26	420.58
7 Engineering-General (44)	530.38	-1.9	7.54	4.49	16.47	9.02	540.43	542.61	537.22	441.46
8 Metals and Metal Forming (8)	335.95	-1.8	0.82	10.30	-	3.54	342.20	342.49	336.05	448.74
9 Motors (14)	356.12	-1.8	7.46	6.60	17.64	10.04	362.83	363.98	361.99	322.56
10 Other Industrial Materials (19)	1789.61	-1.4	6.92	4.63	17.41	34.66	1814.43	1807.76	1787.04	1511.33
21 CONSUMER GROUP (189)	1645.04	-1.3	7.42	3.49	16.56	23.58	1666.17	1678.40	1664.80	1458.65
22 Brewers and Distillers (24)	2142.95	-1.2	7.83	3.46	15.40	29.32	2169.77	2195.93	2171.56	1803.64
25 Food Manufacturing (18)	1246.42	-1.6	8.66	4.22	14.29	23.82	1267.26	1277.46	1273.11	1156.58
26 Food Retailing (18)	2894.06	-1.3	8.38	3.15	15.62	44.51	2931.10	2900.25	2875.79	2600.14
27 Health and Household (24)	3845.20	-1.5	7.17	2.75	15.89	36.33	3904.98	3989.94	3950.86	3529.02
29 Hotels and Leisure (20)	1289.35	-1.0	6.14	5.25	21.11	23.50	1302.43	1324.66	1323.67	1277.39
30 Media (25)	1571.56	-1.2	6.24	3.34	19.95	25.88	1590.08	1595.25	1591.12	1390.10
31 Packaging, Paper & Printing (17)	801.99	-1.6	6.43	4.12	18.88	14.29	815.06	815.46	809.98	690.31
34 Stores (33)	1073.19	-0.8	7.13	3.45	18.53	15.85	1081.99	1070.65	1057.70	887.16
35 Textiles (10)	696.89	+0.2	6.59	4.67	19.14	12.44	695.74	698.70	697.97	557.58
40 OTHER GROUPS (116)	1264.67	-1.1	9.80	5.17	12.74	19.74	1278.69	1284.07	1278.00	1215.38
41 Business Services (17)	1412.02	-1.3	6.40	3.65	19.22	15.14	1431.21	1432.68	1418.98	1271.11
42 Chemicals (22)	1482.54	-2.2	7.20	4.92	17.03	31.75	1516.38	1516.28	1512.77	1387.86
43 Conglomerates (11)	1284.65	-2.3	10.05	7.39	12.42	23.62	1314.61	1328.76	1323.41	1447.27
44 Transport (14)	2530.47	-0.4	8.09	4.63	15.06	49.58	2541.74	2543.14	2536.79	2185.34
45 Electricity (16)	1305.19	-0.4	14.17	5.29	8.95	17.21	1310.85	1311.78	1317.47	1178.74
46 Telephone Networks (4)	1403.88	-1.1	11.04	4.70	11.81	17.36	1419.64	1419.62	1407.92	1439.16
47 Water (10)	2697.77	-0.9	16.19	6.22	6.83	54.92	2723.42	2733.37	2714.26	2253.99
48 Miscellaneous (22)	2026.85	......	5.55	4.87	24.12	23.41	2025.84	2063.71	2046.52	1926.57
49 INDUSTRIAL GROUP (483)	1326.70	-1.2	8.05	4.38	15.49	20.72	1343.22	1350.23	1339.91	1226.67
51 Oil & Gas (17)	2076.22	-1.7	7.30	6.85	17.99	63.69	2112.26	2138.78	2135.20	2354.66
59 500 SHARE INDEX (500)	1397.31	-1.3	7.97	4.63	15.72	24.01	1415.42	1423.89	1413.89	1322.80
61 FINANCIAL GROUP (86)	734.61	-1.8	-	6.18	-	19.80	748.38	754.23	748.21	780.88
62 Banks (9)	923.98	-2.0	5.22	5.91	30.31	24.58	942.83	951.78	945.02	863.62
65 Insurance (Life) (6)	1487.40	-2.0	-	5.99	-	44.26	1517.62	1535.51	1523.25	1464.65
66 Insurance (Composite) (7)	535.86	-2.0	-	6.49	-	13.46	546.87	547.06	539.81	678.25
67 Insurance (Brokers) (10)	885.95	-3.4	8.62	7.36	15.26	29.69	917.12	922.65	920.26	1117.58
68 Merchant Banks (7)	494.03	-0.8	-	4.37	-	11.25	497.84	499.07	500.26	417.77
69 Property (32)	650.82	-0.9	9.00	7.05	15.03	18.82	656.41	663.63	654.40	911.37
70 Other Financial (15)	247.43	-1.3	7.35	7.05	18.44	5.32	250.62	251.40	251.43	270.44
71 Investment Trusts (69)	1151.47	-2.0	-	3.90	-	18.05	1174.38	1190.29	1184.56	1212.55
99 ALL-SHARE INDEX (655)	1238.10	-1.4	-	4.79	-	22.64	1255.19	1263.20	1254.26	1192.43

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 17	Jun 16	Jun 15	Jun 12	Jun 11	Year ago
FT-SE 100 SHARE INDEX§	2562.7	-35.7	2578.4	2558.6	2598.4	2616.3	2593.6	2603.7	2614.1	2479.9

FIXED INTEREST

PRICE INDICES	Thu Jun 18	Day's change %	Wed Jun 17	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (24)	122.32	+0.04	122.74	1.68	6.18
2 5-15 years (24)	137.99	+0.01	137.98	1.90	6.89
3 Over 15 years (10)	148.57	-0.03	148.62	1.40	6.06
4 Irredeemables (6)	165.20	+0.02	165.16	1.71	6.35
5 All stocks (64)	135.50	+0.01	135.65	1.78	6.68
Index-Linked					
6 Up to 5 years (2)	173.51	-0.08	173.65	0.82	1.83
7 Over 5 years (10)	153.38	-0.21	153.71	0.97	2.04
8 All stocks (12)	154.97	-0.19	155.27	0.94	1.99
9 Debs & Loans (63)	120.27	+0.02	120.25	2.28	5.55

AVERAGE GROSS REDEMPTION YIELDS		Thu Jun 18	Wed Jun 17	Year ago (approx.)
British Government				
1 Low	5 years	8.08	8.08	9.05
2 Coupons	15 years	8.96	8.96	10.11
3 (0%-7¾%)	20 years	8.96	8.96	10.11
4 Medium	5 years	9.18	9.18	10.45
5 Coupons	15 years	9.09	9.08	10.38
6 (8%-10¾%)	20 years	9.07	9.07	10.29
7 High	5 years	9.39	9.39	10.63
8 Coupons	15 years	9.28	9.28	10.53
9 (11%-)	20 years	9.24	9.23	10.40
10 Irredeemables†		9.23	9.23	10.30
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.95	3.92	4.35
12 Inflation rate 5%	Over 5 yrs.	4.32	4.31	4.33
13 Inflation rate 10%	Up to 5 yrs.	3.18	3.15	3.39
14 Inflation rate 10%	Over 5 yrs.	4.13	4.11	4.13
15 Debs &	5 years	10.53	10.53	11.89
16 Loans	15 years	10.39	10.39	11.68
17	25 years	10.28	10.28	11.50

§Opening index 2570.5; 9 am 2567.2; 10 am 2578.1; 11 am 2575.1; Noon 2569.6; 1 pm 2568.0; 2 pm 2559.1; 2.30 pm 2562.4; 3 pm 2563.3; 4.10 pm 2560.0; (a) 10.03am (b) 2.06pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323

NEW HIGHS AND LOWS FOR 1992

LONDON SHARE SERVICE

BRITISH FUNDS

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	[illegible]xc	+[illegible]	19[illegible]	14[illegible]	12,[illegible]	2.3
ψAllegheny & W	3[illegible]p	—	3[illegible]p	22[illegible]p	1[illegible]	6.6
Amdahl	[illegible]p	-20	11[illegible]p	806p	[illegible]	0.7
Amer Cyanamid	29[illegible]	-[illegible]	37	29[illegible]	2,879	3.2
Amer Express	12[illegible]xd	-[illegible]	13[illegible]	10[illegible]	[illegible]	4.5
Amer T & T	23xd	+[illegible]	24[illegible]	20[illegible]	3[illegible]	3.2
Ameritech	34[illegible]	+[illegible]	3[illegible]	32[illegible]	1[illegible]	5.8
BankAmerica	23[illegible]xd	-[illegible]	27[illegible]	19[illegible]	7,321	3.2
Bankers NY	3[illegible]xd	—	37[illegible]	28[illegible]	2,4[illegible]	5.2
Bell Atlantic	27[illegible]	+[illegible]	2[illegible]	23[illegible]	1[illegible],27[illegible]	8.1
BellSouth	2[illegible]	-[illegible]	2[illegible]	25	12,[illegible]	6.0
ψBethlehem Steel	[illegible]xd	-[illegible]	9[illegible]	7	[illegible]	—
Bowater	1142pxd	-14	1[illegible]p	1078p	411.5	5.9
CPC h	23[illegible]	-[illegible]	25[illegible]	22[illegible]	3,577	2.9
ψCadiz Land Inc	[illegible]p	—	342p	1[illegible]p	—	—
California Engy	[illegible]p	—	[illegible]p	637p	116.9	—
Campbell Soup	17[illegible]	-[illegible]	2[illegible]	17[illegible]	4,372	2.5
Chase Manhattan	14[illegible]xd	-[illegible]	1[illegible]	9[illegible]	2,[illegible]	4.7
Chrysler	1[illegible]xd	-[illegible]	11[illegible]	6[illegible]	3,1[illegible]	3.2
Citicorp	11[illegible]xd	+[illegible]	11[illegible]	5[illegible]	3,[illegible]	—
Colgate-Palm	27[illegible]xd	-[illegible]	2[illegible]	25[illegible]	4,[illegible]	2.2
Cont'l Bank	[illegible]p	-14	[illegible]p	4[illegible]p	[illegible]	3.6
Dana	2[illegible]xd	—	24[illegible]	14[illegible]	1,[illegible]	3.9
Data General	41[illegible]p	—	10[illegible]p	413p	116.1	—
Dial	1[illegible]xd	—	24[illegible]	18[illegible]	7[illegible].2	3.3
Dun & Brad	2[illegible]	-[illegible]	3[illegible]	27[illegible]	5,176	4.4
Eaton	42[illegible]	-1	4[illegible]	32[illegible]	1,4[illegible]	2.9
Echlin	1[illegible]xd	+[illegible]	11	7[illegible]	[illegible]	3.9
FPL	1[illegible]xd	-[illegible]	2[illegible]	18[illegible]	3,136	7.4
Fluor	21[illegible]xd	-[illegible]	27	21	1,763	1.0
Ford Motor	2[illegible]	-1[illegible]	2[illegible]	15	11,677	2.3
Gen Elect	41[illegible]xd	-[illegible]	46[illegible]	40[illegible]	3[illegible]	2.8
ψGeneral Host	4[illegible]p	—	3[illegible]p	360p	—	4.5
Gillette	2[illegible]xd	-[illegible]	2[illegible]	23[illegible]	[illegible]	1.7
Hasbro	1[illegible]	—	1[illegible]	12[illegible]	1,314	0.7
Honeywell	[illegible]xd	+[illegible]	4[illegible]	3[illegible]	2,7[illegible]	2.4
Houston Inds	2[illegible]	—	2[illegible]	23	3,[illegible]	7.1
IBM	5[illegible]xd	+[illegible]	54[illegible]	4[illegible]	2[illegible],7[illegible]	5.4
Ingersoll-Rand h	14[illegible]xc	-1[illegible]	1[illegible]	14[illegible]	1,[illegible]	2.5
Lockheed	24	+[illegible]	2[illegible]	22[illegible]	1,[illegible]	5.0
Lowe's	217[illegible]p	-55	[illegible]p	1631p	792.3	1.4
Merrill Lynch	24[illegible]xd	-[illegible]	3[illegible]	24[illegible]	2,542	2.3
Morgan (JP)	2[illegible]xd	-[illegible]	37[illegible]	2[illegible]	5,4[illegible]	4.3
Morris (Philip)	3[illegible]xd	+[illegible]	45[illegible]	37[illegible]	3[illegible]	3.1
NYNEX	42[illegible]	+[illegible]	44[illegible]	3[illegible]	[illegible]	6.1
For Pacific Agricultural see Cadiz land Inc						
Pall	1[illegible]	-[illegible]	17[illegible]	10[illegible]	1,7[illegible]	1.5
Pennzoil	25[illegible]xd	-[illegible]	3[illegible]	25[illegible]	1,[illegible]	6.5
Quaker Oats	2[illegible]xd	-[illegible]	4[illegible]	2[illegible]	2,111	3.4
Rockwell	12[illegible]	-[illegible]	1[illegible]	12[illegible]	2,715	4.3
Rep NY	21[illegible]xd	-[illegible]	2[illegible]	21[illegible]	1,1[illegible]	2.6
Sears, Roebuck	2[illegible]xd	-[illegible]	2[illegible]	19[illegible]	7,1[illegible]	5.4
Sthwestern Bell	3[illegible]	-[illegible]	3[illegible]	32[illegible]	[illegible]	5.0
Sun Co	14[illegible]xd	-[illegible]	1[illegible]	14[illegible]	1,5[illegible]	7.0
Tenneco	2[illegible]xd	-[illegible]	2[illegible]	1[illegible]	2,[illegible]	4.5
Texaco	34[illegible]xd	-[illegible]	3[illegible]	30[illegible]	[illegible]	5.2
Time Warner	[illegible]xd	-[illegible]	[illegible]	4[illegible]	[illegible],375	1.0
ψUnitab	4[illegible]p	—	[illegible]p	4[illegible]p	[illegible]	—
Utd Tech	27[illegible]xd	+[illegible]	3[illegible]	27	3,[illegible]	3.5
ψUtilitech	1[illegible]p	—	122p	[illegible]p	—	—
‡URS Intl. 1c	[illegible]p	—	1[illegible]p	0[illegible]p	2.35	—
US West	1[illegible]	-[illegible]	21[illegible]	18[illegible]	7,[illegible]	6.4
Varity	[illegible]p	-[illegible]	1[illegible]p	632p	22[illegible]	—
Waste Manage	1[illegible]xd	—	2[illegible]	19[illegible]	[illegible]	1.3
Whirlpool	1[illegible]pxd	-7	2[illegible]p	1674p	1,321	3.3
ψWoolworth	14[illegible]	-[illegible]	1[illegible]	14[illegible]	1,[illegible]	4.3

CANADIANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
ψAbbot Energy	2p	—	2p	1[illegible]p	—	—
Amer Barrick	14[illegible]p	—	1[illegible]p	12[illegible]p	2,[illegible]	0.3
Bk Montreal	2[illegible]	-[illegible]	2[illegible]	1[illegible]	2,4[illegible]	4.8
Bk Nova Scot	[illegible]p	-7	11[illegible]p	[illegible]p	1,[illegible]	4.8
ψBC Gas	721p	—	[illegible]p	711p	—	3.8
BCE	1[illegible]	—	2[illegible]	1[illegible]	[illegible],128	6.0
ψBrascan	7[illegible]p	-17	[illegible]p	714p	[illegible]	6.3
ψBreakwater	24[illegible]p	—	3[illegible]p	6p	15.7	18.4
Can Imp Bk	1[illegible]p	-18	1[illegible]p	1157p	2,2[illegible]	5.0
Can Pacific	[illegible]p	-17	[illegible]p	7[illegible]p	2,[illegible]	1.8

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc	85	-½	107	83½	12.7	–	–
Cap	23	-1	42	12½	–	29.4	18.3
Stepped Pf †	146½	—	141¼	128	5.8	–	–
Zero Div Pf	185	—	186	166½	–	–	–
Warrants	4½	—	9	3½	–	–	–
Scot Value ta	49½	—	64	45	3.8	61.8	-2.0
Sec Alliance †	1185	-13	1283	1138	4.8	1315.8	12.2
Second Market	236	-6	244	222	0.6	263.8	17.1
Sec Tst Scot	69½	-1½	76½	63	5.3	71.8	3.4
Select Assets	98	—	102½	90	1.3	127.8	29.5
Eq Ind Ser1	116	-2	123	109	4.8	–	–
Eq Ind Ser2	116	-2	123	109	4.8	–	–
Shires	237xd	-3	240	195	10.4	234.0	-1.3
11pc Cv Ln '03/04	£116½	-1	£119½	£95½	9.8	–	–
Slam Select	72	—	91	72	1.8	88.1	18.3
Warrants	19	—	21	13			
Smaller Cos	79	-1	85	67	4.2	90.6	11.7
Warrants	18	—	20	10	–	–	–
Sphere Inc M	14	—	20	13½	29.5	19.5	30.8
Zero Div Pf	78¾	-½	77¼	65¾	–	–	–
Warrants	0¾	—	3½	0¼	–	–	–
Stratton	157	-2	168	147	1.4	160.8	13.2

MERCHANT BANKS

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Ansbacher (H)	22	-1	34	20	59.7	–
Batays 8pc Cm 2nd Prf	95xd	—	100	83½	11.9	11.2
9¼pc Non-Cum Prf	115¾xd	—	122¼	103¼	46.3	11.2
Brown Shipley	118	-1	204	118	18.8	9.0
Close Bros †	248	-1	267	245	92.4	4.7
Hambros Q	252xd	-2	292	215	434.9	7.3
7½pc Cv Pf	119	+1	119	93	105.8	9.4
Joseph (L)	330	—	333	318	17.3	6.4
Kleinwort Benson	308	-4	324	212	480.4	6.9
Rea Bros	34½	-½	37	28	13.5	1.9
Schroders	1328	-10	1385	1043	683.0	1.8
N/V	1128	-7	1158	883	148.1	2.1
Singer & Fried	44	—	50	37	84.8	7.8
Warburg (SG)	545	-3	605	445	1,133	4.4
8pc Cv Pf	181	—	204	160	91.3	4.2
Wintrust	220	—	253	213	18.7	5.8

METALS & METAL FORMING

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
ASW	128	-6	195	113	84.8	9.5
Apollo Metals	130	-1	147	129	16.4	3.3
Ash & Lacy	165	—	188	142	43.5	5.2
Barrett (H) ‡	23	—	45	19	9.98	‡
Billam (J)	125	—	144	84	2.83	4.6
Brit Steel	70	-2	86	64	1,400	16.7
BCI	27½	-½	35	15	23.8	9.9
Castings	177	-1	195	118	37.8	3.1
Chamber & Hill	110xd	—	140	90	8.82	6.8
Cohen (A)	370	—	400	350	6.86	3.8
Cook (Wm)	253	-1	335	250	55.1	5.4
Cooper (F)	58	-2	69	50	19.9	9.6
Cronite ♦	45	—	45	24	7.31	–

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	108.8	110.0	115.8	-0.50	0.00
AIB Grofund Equity	5	177.7	179.8xd	190.3	-1.10	2.58
AIB Grofund Euro	5	131.3	133.2	140.3	-1.30	0.27
AIB Grofund Gilt	3	73.62	73.62	75.88	+0.06	6.39
AIB Grofund Japan	5	99.45	100.6	105.9	-1.90	0.00
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	118.9	118.9xd	126.0	....	8.21
High Inc Equity	6	128.5	131.5	139.8	-1.4	6.08
Worldwide Bond	6	213.3	213.3xd	226.1	+0.1	6.29
Capital Growth						
American Growth	6	191.5	191.5	204.8	-3.8	.99
Asian Pacific	6	145.3	148.4	157.8	-0.4	1.20
Assets & Earnings	6	187.9	192.0xd	204.2	-1.9	3.10
Capital Reserve Acc	0	116.0	116.0	116.0	....	7.74
Capital Reserve Inc	0	85.83	85.83	85.83	....	7.74
Cmdty & Energy	6	64.54	64.54	69.02	-0.07	1.19
1992 Enterprise	6	70.77	70.77	75.68	-0.49	2.72
Euro Capital Acc	6	90.29	90.29	96.56	-0.62	1.08
Euro Capital Inc	6	85.56	85.56	91.50	-0.59	1.09
General	6	174.5	174.5	186.6	-0.9	3.11
Japan	6	70.04	70.04	74.90	-1.58	-
Mastertrust	6	88.29	88.29	94.42	-0.98	2.58
UK Growth Acc	6	175.6	183.4	195.1	-1.4	2.87
UK Growth Dist	6	110.9	115.9	123.2	-0.8	2.87
US Emerging Cos	6	66.63	66.63	71.26	-1.06	-
Income & Growth	6	300.6	300.6xd	321.4	-2.5	4.36
Ethical	6	55.05	56.35xd	59.94	-0.47	3.32
International	6	59.34	60.22	64.06	-0.77	1.37
Dividend & Growth	6	49.23	50.29	53.49	-0.35	5.61
Global Gwth & Sec	6	54.26	54.57	58.05	-0.13	2.45
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1193.0	1193.0	1252.0	-29.01	-
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						

For Mayflower Mangmt see Sheppards UT Mangmt

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mercury Fund Managers Ltd (1000)H						
33 King William St, EC4R 9AS 071-280 2060						
American	5	126.3	126.3xd	134.5	-1.70	0.00
(Accum Units)	5	135.0	135.0xd	143.7	-2.00	0.00
American Opps	5	51.07	51.07	54.40	-1.55	0.00
(Accum Units)	5	51.77	51.77	55.23	-1.56	0.00
British Blue Chip	5	63.92	63.92	68.15	-0.68	3.91
(Accum Units)	5	73.12	73.12	77.96	-0.77	3.91
Cash*	0	101.3	101.3	101.3	+0.10	9.78
(Accum Units)*	0	122.6	122.6	122.6	....	9.78
European Growth	5	161.6	161.6	171.1	-2.10	0.53
(Accum Units)	5	171.6	171.6	181.6	-2.20	0.53
European Income	5	62.31	62.31xd	66.04	-0.23	3.55
(Accum Units)	5	77.82	77.82xd	82.48	-0.30	3.55
General	5	400.7	401.4	428.2	-4.10	2.83
(Accum Units)	5	744.6	745.2	796.0	-7.60	2.83
Global Bond	5	104.8	104.8	110.1	+0.20	6.71
(Accum Units)	5	111.7	111.7	117.2	+0.10	6.71

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Master Trust	6	87.62	87.62	93.21	-0.87	3.67
UK Equity†	6	110.08	111.63	118.76	-1.60	4.16
UK Equity Income	6	105.39	107.23xd	114.07	-1.49	5.69
UK Smaller Co's	6	100.35	103.64	110.26	-0.90	2.64
UK Equity Growth	6	104.78	106.38	113.17	-1.50	4.49
UK Index Tracking F	6	110.23	110.93	118.01	-0.73	4.43
Intl Index Tracking F	6	90.28	91.07	96.88	-1.59	1.36
International	6	149.75	151.45	161.12	-2.18	2.05
European	6	121.70	122.75	130.58	-1.49	1.21
Pan European	6	93.72	94.77xd	100.82	-1.22	3.12
Nth American	6	114.34	115.66xd	123.03	-1.00	2.32
Nth Amer Smllr Cos	6	99.04	101.28	107.74	-1.46	0.00
Japanese	6	52.02	52.79xd	56.16	-1.19	0.00
Pacific	6	123.08	124.97xd	132.95	-1.39	1.16
South East Asian	6	126.41	128.58	136.79	-1.11	1.05
International Bond	6	103.00	103.11	109.69	+0.11	6.61
Gilt & Convertible	6	97.40	97.64xd	103.87	-0.82	8.20
Property F	6	69.23	71.24xd	75.79	-0.18	6.59
Cash Deposit Accum F	0	101.23	101.23	101.23	+0.02	9.62

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

هكذا منه الأصل

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

INSURANCES

Abbey Life Assurance Co Ltd

OTHER UK UNIT TRUSTS

Allied Dunbar Assurance Plc

Century Life Plc – Contd.

Equitable Life Assurance Society

Henderson Administration(z)

Life Association of Scotland

NEL Britannia Assce Co Ltd – Contd.

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	135.3	142.4	....	-
Property Acc. (Gross)	257.8	271.4	+0.1	-
Equity (Gross)	887.8	934.5	-8.4	-
Managed (Gross)	619.2	651.8	-4.4	-
Property Acc. (Net)	123.2	129.7	....	-
Equity (Net)	205.8	216.6	-1.8	-
Adventurous Managed	93.9	98.8	-0.4	-
Managed (Net)	190.3	200.3	-1.2	-
Cautious Managed	95.9	100.9	....	-
International (Net)	160.8	169.3	-1.5	-
Gilt & Fixed Interest	140.1	147.5	....	-
Money Fund	139.6	146.9	....	-
Mixed Fund (Cap)	120.4	126.8	....	-
Mixed Fund (Acc)	124.8	131.4	....	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	671.7	707.1	-6.0	-
Ret Man (Series 2)	227.8	239.8	-2.1	-
Ret Cash	196.5	206.9	+0.1	-
Pens Mixed Fd (Cap)	133.7	140.8	....	-
Pens Mixed Fd (Acc)	138.7	146.0	....	-
Pens Stlg Fd (Cap)	103.3	108.8	....	-
Pens Stlg Fd (Acc)	107.1	112.8	....	-
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 230271				
Life Funds				
Managed Aggressive	103.2	108.6	-0.4	-
Managed Balanced	100.2	105.5	-0.5	-
Managed Cautious	112.0	117.9	-0.1	-
Pension Funds				
Managed Aggressive	108.2	113.9	-0.5	-
Managed Balance	104.8	110.3	-0.5	-
Managed Cautious	115.6	121.7	-0.2	-
For Pioneer Mutual see Swiss Pioneer				
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	134.0	142.0	-2.0	-
Building Soc. Fd	222.0	234.0	....	-
Balanced	275.0	290.0	-2.0	-
European	208.0	219.0	-1.0	-
GT Managed	186.0	196.8	-2.0	-
Gartmore Mngd	124.0	131.0	....	-
German	135.0	143.0	-2.0	-
Gilt	181.0	191.0	-1.0	-
Global	41.0	44.0	....	-
International Equity	200.0	211.0	-3.0	-
Japan	162.0	171.0	-4.0	-
Leisure	48.0	51.0	....	-

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn.—Contd.				
Index Linked Gilt Init	128.4	135.2	....	-
Overseas Equity Ord	259.0	272.6	-4.5	-
Overseas Equity Init	189.2	199.2	-3.1	-
Property Ord	222.0	233.7	....	-
Property Init	162.2	170.7	....	-
Fixed Interest Ord	228.0	240.0	....	-
Fixed Interest Init	166.5	175.3	....	-
Deposit Ord	186.7	196.5	+0.1	-
Deposit Init	136.3	143.5	....	-
Pension Funds				
Managed Ord	460.3	484.5	-5	-
Managed Init	336.2	353.9	-3.7	-
Equity Ord	714.3	751.9	-10.3	-
Equity Init	521.7	549.2	-7.5	-
Pen Ind Lkd Gilt Ord	190.0	200.0	+0.1	-
Pen Ind Lkd Gilt Init	144.9	152.5	....	-
Overseas Equity Ord	293.4	308.8	-5.5	-
Overseas Equity Init	214.3	225.6	-4	-
Property Ord	279.7	294.4	....	-
Property Init	204.3	215.1	....	-
Fixed Interest Ord	290.1	305.4	....	-
Fixed Interest Init	211.9	223.1	....	-
Deposit Ord	267.9	282.0	+0.1	-
Deposit Init	195.6	205.9	....	-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Jun 17	264.0	275.0	....	-
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Jun 17	£189.80	195.69	-2.53	-
Equity Jun 17	£220.80	228.33	-2.39	-
International Jun 17	£26.63	27.20	-0.79	-
Intl Bond Jun 17	£14.17	14.36	-0.10	-
Fixed Int Jun 17	£105.29	106.49	+0.35	-
Index Linked Jun 17	£77.56	78.34	+0.39	-
Property Jun 17	£109.66	115.74	-0.13	-
Cash Jun 17	£30.7023	30.7023	+0.0539	-
Pru-Linked Retirement Plan				
Managed Jun 16	456.9	476.0	....	-
Cash Jun 16	282.0	293.8	....	-
Prudential Pension Investment Account				
Pens Mngd Jun 19	180.4	194.0	-2.2	-
Pens UK Eq Jun 19	323.3	348.7	-4.9	-
Pens Intl Jun 19	187.6	201.8	-2.2	-
Pens Global Eqty Jun 19	100.3	105.6	-1.4	-
Pens Fixed Jun 19	238.8	252.1	+0.1	-
Pens Index Lk Jun 19	198.2	209.2	+0.2	-
Pens Property Jun 19	89.7	94.5	[illegible]	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Liberty ALL-STAR World Pfolio-Eqty Fd(u)						
2 boulevard Royal, Luxembourg 010 352 45901						
NAV (z)		$-	10.34		-0.08	-
Lloyds Bank Luxembourg						
1, Rue Schiller, Luxembourg 010 352 4022121						
Lloyds International Portfolio						
Canadian Dollar Bds		C$-	118.25	120.91		-
Swiss Franc Bonds		SFr-	106.91	109.52		-
Deutsche Mark Bonds		DM-	111.70	114.21		-
French Franc Bonds		FFr-	112.61	115.14		-
Sterling Bonds		£-	120.35	123.06		-
Yen Bonds		Y-	11,032	11,280		-
Dutch Guilder Bonds		Dfl-	111.37	113.88		-
US Dollar Bonds		$-	112.21	114.73		-
ECU Bonds		Ecu-	111.37	113.88		-
Multicurrency Bond		$-	103.36	105.69		-
Europe Equity		Ecu-	97.75	99.95		-
Japan Equity		Y-	8850	9049		-
North America Equity		$-	91.22	93.27		-
Pacific Equity		$-	105.84	108.22		-
Smaller Cos		$-	16.77	17.15		-
UK Equities		£-	115.28	117.87		-
World Equity		$-	97.34	99.53		-
Gold		$-	98.68	100.90		-
Convertible		$-	103.20	105.52		-
Warrant		$-	54.77	56.00		-
Midland Internatnl Circuit Fund SICAV(u)						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
UK Growth		£-	0.974	1.034		1.44
European Growth		£-	0.913	0.969		-
European Opps		$-	2.343	2.484		-
Japan Growth		£-	0.631	0.669		-
Japanese Opps		$-	1.542	1.636		-
Pacific Growth		£-	0.975	1.035		0.39
Nth American Growth		£-	0.978	1.038		-
American Opps		$-	2.043	2.167		-
Environmental Opps		£-	0.856	0.909		-
UK Fixed Interest		£-	1.138	1.207		6.63
Multicurrency Bond		£-	1.003	1.064		5.64

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slips on trade figures

THE DOLLAR slipped over a pfennig against the D-Mark on the foreign exchange markets yesterday following news of a wider than expected US merchandise trade deficit, *writes James Blitz.*

The deficit widened to $6.97 billion in April from a revised $5.58 billion in March, sending the dollar downwards as the American markets opened. Earlier, in late Asian trading, the US currency had appreciated to over DM1.58 following short term positioning by dollar investors. But yesterday's trade figures quickly pushed the dollar down to a low of DM1.5630. The currency closed down at DM1.5650 against a previous close of DM1.5780.

Underlying the dollar's drop is uncertainty about the US economy. One London analyst said yesterday that he had revised downward his view that the dollar could bottom out at DM1.56. The economic recovery remains weak and speculation about another easing of interest rates by the Federal Reserve hangs over traders.

Also playing on nerves is the strong candidacy of Mr Ross Perot for the US Presidency. A serious three-way contest for the American leadership makes it uncertain whether there will be a clear result. "Investors will have little appetite for acquiring dollars before the US election is out the way," said Mr Neil MacKinnon, chief economist at Yamaichi International in London.

The dollar's weakness was again a by-product of D-Mark strength. The Irish referendum on European union, the result of which will be known today, continued to worry traders.

The Italian lira had a bad afternoon, dipping below L758 to the D-Mark, and threatening to test its lower limit in the European Monetary System against the strongest currency, the Portuguese escudo. In response, the Bank of Italy moved up its short term money market intervention rate by ¼ a per centage point to 14.8 per cent.

The D-Mark was also stronger against sterling, which closed down half a pfennig at DM2.9200. The French franc was also softer against the German currency at FFr3.3703 from a previous close of FFr3.3690.

Although it ended the day stronger against the dollar, the yen was weaker against the D-Mark, prompted by the overnight fall in the Japanese stock market. Stocks ended at a 68-month low, with the Nikkei average barely above 16,000.

Suggestions that the leaders of the Group of Seven leading industrial nations will call for a stronger yen at their summit next month are keeping the currency strong. But that strength may disappear if the Japanese economy weakens further. The yen closed down against the D-Mark at Y80.99, compared to a previous close of Y80.51.

£ IN NEW YORK

June 18	Latest	Previous Close
£ Spot	1.8650-1.8660	1.8563-1.8573
1 month	0.95-0.93pm	0.98-0.96pm
3 months	2.75-2.72pm	2.81-2.78pm
12 months	9.28-9.18pm	9.20-9.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 18	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	170.470	-4.62	5.91	76
Spanish Peseta	133.631	129.137	-3.36	4.53	57
Belgian Franc	42.4032	42.2036	-0.47	1.49	24
Dutch Guilder	2.31643	2.31011	-0.27	1.29	15
D-Mark	2.05586	2.05044	-0.26	1.28	19
Irish Punt	0.767417	0.767169	-0.03	1.05	3
French Franc	6.89509	6.90828	0.19	0.82	-9
Sterling	0.696904	0.701477	0.66	0.36	-15
Danish Krone	7.84195	7.89750	0.71	0.31	-31
Italian Lira	1538.24	1553.87	1.02	0.00	-49

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jun 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8445 - 1.8665	1.8650 - 1.8660	0.94-0.92cpm	5.98	2.75-2.72pm	5.86
Canada	2.2140 - 2.2315	2.2305 - 2.2315	0.79-0.71cpm	4.03	2.36-2.24pm	4.12

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.866	2.920	236.5	9.840	2.635	3.290	2215.	2.231	60.20	183.9	1.424
$	0.536	1	1.565	126.7	4.823	1.412	1.763	1187	1.196	32.26	98.55	0.763
DM	0.342	0.639	1	80.99	3.082	0.902	1.127	758.6	0.764	20.62	62.98	0.488
YEN	4.228	7.890	12.35	1000.	38.05	11.14	13.91	9366	9.433	254.5	777.6	6.021
F Fr.	1.111	2.073	3.244	262.8	10.	2.928	3.656	2461	2.479	66.89	204.3	1.582
S Fr.	0.380	0.708	1.108	89.75	3.416	1	1.249	840.6	0.847	22.85	69.79	0.540
H Fl.	0.304	0.567	0.888	71.88	2.736	0.801	1	673.3	0.678	18.30	55.90	0.433
Lira	0.451	0.842	1.318	106.8	4.063	1.190	1.485	1000.	1.007	27.18	83.02	0.643
C$	0.448	0.836	1.309	106.0	4.034	1.181	1.475	992.8	1	26.98	82.43	0.638
B Fr.	1.661	3.100	4.850	392.9	14.95	4.377	5.465	3679	3.706	100.	305.5	2.365
Pta	0.544	1.015	1.588	128.6	4.894	1.433	1.789	1204	1.213	32.74	100.	0.774
Ecu	0.702	1.310	2.051	166.1	6.320	1.850	2.310	1555	1.567	42.28	129.1	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

MONEY MARKETS

Bullish undertone

THE BULLISH undertone to trading in the sterling cash market continued yesterday, even though the Bank of England forecast a large shortage which dealers took most of the day to remove.

Period rates were a touch softer at the close of trading, perhaps because the market was still swayed by the Chancellor of the Exchequer's comments the previous day. Mr Norman Lamont had suggested that sterling could enter the narrow bands of the European Monetary System, with the implication that a stronger currency would make a base rate cut more likely.

One trader felt that the expectation of a base rate cut may also have been strengthened by stock market difficulties in Japan, where the Nikkei average ended down 400.24 points at a 68-month low. The possibility of a drop in world stock markets encouraged some traders to think that central banks could ease interest rates to reverse the trend.

Whatever the reason, the markets had a bullish undertone. 1 month money in the sterling interbank market ended the day at 9 13/16 per cent from a previous close of 10 1/16 per cent. 3 month money closed at 9 13/16 per cent from a previous close of 10 per cent.

In the futures market, however, the September short sterling contract closed down two ticks at 90.24, while December was down one tick at 90.54.

This was a less bearish performance than it might have been, considering that the market took the entire day to remove a shortage forecast at £1.2bn in the morning. Traders appeared to be unwilling to offer bills, perhaps holding their fire before the even larger shortage expected today. The overnight rate spent much of the day around 12⅛ per cent.

Again, the Bank dealt at the established rates of 9⅞ per cent for Bands 1 and 2, 9 13/16 per cent for Band 3, 9 13/16 per cent for Band 4 and 9 13/16 per cent for the repurchase agreements (repos).

In early operations, the Bank purchased £7m of Band 3 bank bills and £80m for resale to the market in equal amounts on 8 and 9 July. The Bank then purchased £68m in Band 1, £15m in Band 3, £7m in Band 4 and £20m in repos.

In the afternoon, the Bank purchased £692m in Band 1, £5m in Band 2, £56m in Band 3, £5m in Band 4, and £20m in repos.

UK clearing bank base lending rate
10 per cent
from May 5, 1992

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,877 Set by HIGHLANDER

ACROSS

1 Making a formal request is hard work (11)
7 Sweep backed tipped horse (3)
9 Neglect to include right tender (5)
10 Chance it perhaps and put learner in this type of college (9)
11 Studies guide to visual problem (9)
12 The old have a way with fermenting agent (5)
13 Brilliant stroke allowed for two lines (7)
15 School is in Paris and working (4)
18 One offer quoted earlier (4)
20 Current musical, I heard, is on the road – very illuminating (4-3)
23 The pub in front of The Queen, close to The Bull (5)
24 Our being upset about hard one next door (9)
26 He has hit on it and lives with liver problem (9)
27 By the way, the beer is flat (5)
28 Sport not left to fork out (3)
29 Madden people with time confusion (11)

DOWN

1 All fresh cod, all tailed in the open air (8)
2 Not allowed to follow development stage, so gradually discontinue (5,3)
3 Opening a chain letter requires it (5)
4 Pull towards stretch of land (7)
5 Aromatic substance burnt in flame without a break (7)
6 Nurse set about kid's mother (5,4)
7 Originally a divine drink, but new crate is poor (6)
8 Close friend fed later, showing taste (6)
14 A bride let off and set free (9)
16 Fix the medal on deck (8)
17 River on Tiree is off position again according to compass (8)
19 Presenter fellow has a high place (7)
20 Red lips are part of the trick (7)
21 Church dignitary on board (6)
22 Irritable but smart sleeper is about to sleep (6)
25 Hope always spurs the early starters to rush (5)

Solution to Puzzle No.7,876

هكذا في الأصل

هكذا عنه الأصل

WORLD STOCK MARKETS

CANADA

TORONTO

3:15 pm prices June 18

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
1500	Abitibi Pr	$15¼	15¼	15¼	−¼
3000	AgnicoEa	$5⅝	5⅝	5⅝	+⅛
37800	Air Cda	495	d470	495	+25
8000	Albrta En	$12½	12¼	12½	
14800	AlbNtGas	$13½	13¼	13¼	
174200	Alcan Al	$25⅜	25⅛	25⅜	
264500	Am Barr	$32¾	32¼	32⅝	+⅛
13600	Atco Cl 1 x	$11	10¾	10¾	
140100	Bk Montr'l	$45¼	44¾	45⅛	
330600	Bk Nova Sc	$21¾	21½	21⅝	−⅛
27400	BC Sugar A	$9	8⅞	9	+⅛
528400	BCE Inc x	$44	43¾	44	+¼
49000	Belmoral	13	12	13	+1
2000	BGR A	$8¾	8⅝	8¾	+⅛
35500	Bomb'dierB	$13½	13¼	13½	
15100	Bow Valley	$11⅛	11	11	−⅛
10000	BP Canada	$12	11⅞	11⅞	−⅛
170500	Bramalea	119	100	108	−12
6500	Brascan A	$16⅝	16½	16⅝	−⅛
62400	Breakwater	51	45	48	−5
96400	BC Tel	$19	d18¾	18⅞	−⅛
53400	Bruncor x	$18¾	18⅝	18⅝	+¼
1700	Brunswick	$9⅛	9	9	−¼
35000	CAE Ind x	$5½	d5¼	5½	+⅛
28700	Cambior	$8⅝	8⅛	8⅝	+⅛
1800	Cambridge	$16⅜	16¼	16¼	
1000	Cameco	$16⅞	16⅞	16⅞	
29700	C'bell Res	55	52	53	
432200	CanImpBk	$26⅞	26⅝	26⅞	+⅛
1300	Can Occid	$26¾	26⅝	26⅝	−⅛
348300	Can Pac	$18½	18⅛	18¼	
1100	Can Tire	$19½	19½	19½	−¼
22200	CanTire A	$18	17¾	18	
57200	Can Util A	$19⅝	19½	19⅝	
300	Can Util B	$20¼	20¼	20¼	
87500	Canamax	25	d24	25	
33800	Canfor x	$28½	28½	28½	−¼
28000	CnPcForest	$27⅞	27	27⅛	+½
26600	Cara Op x	420	d415	420	+5
1900	Cascades	$8¼	8⅛	8⅛	
8300	Celanese	$40	d39½	39½	
2200	Cntrl Cap	15	d15	15	−6
3800	Cinepx Ode	335	330	335	
8000	Cmrl Fd A	u470	470	470	
52000	Cominco x	$21⅛	21	21	
3000	Coputalog	50	50	50	
117900	Corel Sys	$19¼	18½	19⅛	
2300	CoscanDev	$5¼	d5	5	
1500	CrownX A	125	125	125	−2
3600	Denison A	34	34	34	
2600	Dertan	$5¾	5¾	5¾	
134900	Dofasco	$13¾	13½	13⅝	+⅛
10700	Doman Ind	$6	d5¾	5⅞	−¼
6100	Domtar Inc	$7	6⅞	6⅞	−⅛
300	Du Pont A	$43¼	43¼	43½	
1900	DundeeBncA	270	270	270	−5
81300	Echo Bay M x	$7½	7⅛	7⅜	+⅛
16300	Emco Ltd	$8½	8½	8½	
2700	Empire	$10⅜	d10	10⅜	
3200	Euro Nev	$16⅞	16⅝	16⅞	−⅛
2100	FPI Ltd	350	d340	350	+10
27300	FahnestkVw	$8⅛	d7⅞	7⅞	−⅛
2500	Finning	$13½	13½	13½	
600	Fst Mara A	$9¾	9¾	9¾	−⅛
1900	Fortis	$21⅞	21¾	21⅞	−⅛
12100	Four Seasn	$20½	20½	20½	−⅜
18400	FrancoNev	$27¼	27	27¼	+½
23000	Galactic	14½	14½	14½	+2½
200	Gendis A x	$17	17	16¾	
14500	Glamis Gld	350	350	350	+5
14000	Granges	125	123	123	
7600	Gt W Lifeco x	$14¾	14⅝	14¾	+⅛
108700	Gulf Cda R	$6½	6¼	6½	+⅛
300	GW Utils	$6	6	6	
1700	HarrisSt A x	$6⅝	6⅝	6⅝	
300	Hawker Sid x	$23⅞	23⅞	23⅞	
99700	Hees Intl	$13	12½	12½	−⅜
404000	Hemlo Gold x	$9⅞	9¾	9¾	−⅛
1200	Hollinger	$11⅛	11	11	−⅛
7900	Home Oil	$18⅞	18⅞	18⅞	
68400	Horsham	$9⅞	9½	9⅞	+⅜
100	HudsBayM&S	$6¼	6¼	6⅜	
500	HudsonsBay	$29	28¾	28¾	−¼
16100	Imasco	$35⅞	35⅞	35⅞	−⅛
85500	Imp Oil	$46½	45⅞	45⅞	+½
53700	Inco	$36	35¾	35⅞	
23500	Int Corona	$5⅜	5¼	5⅜	+⅛
11500	IntprvPipe	$25	25	25	−⅛
64100	Invest Grp	$22⅛	d22	22	−⅛
1100	Ivaco A	465	465	465	+20
200	Jannock	$14½	14½	14½	
400	KerrAddis	$15½	15½	15½	
206600	Labatt	$25⅝	25¼	25½	
97600	Lac Mnrls	$8½	8¼	8½	+⅛
600	Lafarge	$18½	18½	18½	
8100	Laidlaw A	$12⅛	12	12⅛	
187600	Laidlaw B	$12¼	12	12⅛	
300	Laurent Bk	$17¾	17¾	17¾	
400	Laurent Gp	$5⅝	d5⅝	5⅝	
15800	Lawsn Mar x	$9¾	9⅝	9⅝	
48200	Loblaw x	$18	17⅞	18	+⅛
40600	Mackenzie	$6	5⅞	5⅞	−⅛
157600	Macm Bl	$18¼	17⅝	17¾	−⅝
110800	Magna IntA	$32¼	31⅛	32⅛	+⅜
3900	Mpl Lf Fds	$15⅞	d15¾	15¾	−⅛
39600	Mark T&T x	$19	d18½	19	+½
2000	Mark Res	$6⅛	6	6⅛	+⅛
500	MDS Hlth B	$15¼	d15⅛	15¼	−⅛
34300	Metall Min	$12⅝	12½	12⅝	
2300	Minnova	$18	d18	18	
122200	Mitel Corp	182	177	180	+5
5300	Molson A	$33¾	33¼	33¼	−⅝
466800	Moore Corp	$23¾	22¾	23⅝	
10000	Muscocho	5	5	5	
83800	Nat Bk Can	$9	8⅞	8⅞	
49200	Noma Ind A	$6⅞	6⅝	6⅝	+⅛
2000	NorandaFor	$8	7⅞	7⅞	−¼
466300	Noranda	$19⅛	18⅞	18⅞	−½
1500	NorcnE.12	$23⅜	23	23⅜	
1800	NorcnMVtg	$20⅝	20½	20⅝	
230300	Nth Tele	$42⅛	d41½	41¾	−½
200	Northgate	75	75	77	
892100	Nova Corp	$8⅝	8⅛	8⅝	+¼
6000	Nowsco WSv	$8⅝	8⅝	8⅝	
94300	Numac Oil	485	480	485	−5
74000	Ocelot A	$13⅞	13⅝	13¾	
5200	Onex Corp	$7½	7½	7½	
10300	Oshawa A	$17⅞	17⅞	17⅞	
20300	PWA Corp	$5¾	5⅝	5⅝	+⅛
11700	Pagurian A x	400	395	400	
500	Pancdn Pet x	$28½	28½	28½	
18200	Pegasus	$16⅜	16⅛	16⅜	+¼
18200	Pioneer Mt	20	20	20	
151600	PlacerDome	$13	12⅝	12¾	−⅛
36800	Poco Pet x	450	d420	420	−30
58000	Power Corp	$14¼	d13⅞	14	−⅜
400	Power Fin	$19½	19½	19½	−¼
13400	Provigo	$8¼	8¼	8¼	
200	Quebecor A	$14¼	14¼	14¼	
14400	Ranger Oil	$8¾	8⅝	8¾	+¼
4200	Rayrock	$8	7⅞	8	−⅛
1000	Reed Sten	$26	26	26	
1000	Reitman S	$17	17	16½	
103600	Ren'ssance	$15⅛	15	15⅛	
46800	Repap Ent	420	410	410	
3400	Rio Algom	$15¾	15¾	15¾	
201200	RogersComB	$13⅜	13⅛	13⅛	
1400	Rothmans	$87	87	86	
392000	RoyalBkCan	$23⅞	23⅝	23⅞	
39000	Ryl Oak Mn	185	180	185	+1
24600	RylTrustco	$6⅞	6⅝	6⅞	+⅛
1500	StLawrCm A	$9⅞	9¼	9⅞	
11300	Sceptre Rs	39	37	37	−2
6000	ScottPaper	$14¾	14¾	14¾	
10600	Scots Hos x	$14½	14⅛	14½	−⅛
184300	Seagram Co	$33⅛	32⅞	32⅞	−⅛
43700	Sears Can	$8	7¾	8	+¼
1800	ShellCan A	$41⅛	41¼	41¼	−½
14900	Sherritt G	$8½	8⅛	8½	
271300	SHL Syst	$11⅞	11½	11⅝	−⅛
65100	SNC Group	$11	11	11	
3000	Sonora Gld	19	19	18	
3800	Southam	$18¼	16⅛	16⅛	−⅜
37300	Spar Aero x	$16⅞	16⅝	16¾	+⅛
42100	Stelco A	385	380	380	−5
42100	Teck B x	$20¼	19⅞	20	−⅛
23800	Teleglobe x	$13½	13⅞	13⅞	−⅛
54300	Thomson	$14⅞	d14⅝	14⅞	
747700	Tor Dom Bk x	$17⅝	17	17⅜	+¼
900	Torstar B x	$21⅝	21⅝	21⅝	−⅛
25900	TotalPNAm	$9¼	d9⅛	9¼	
310400	TransAlta	$13⅛	13	13⅛	
54300	Transcan P	$17⅛	17	17⅛	+⅛
800	Trimac	$8¼	8¼	8¼	
29600	Trizec A	480	470	480	−5
200	UAP A	$17¼	17¼	17¼	−¼
1000	UnionEnt	$14½	14⅜	14⅜	−¼
1100	UnitedCorp	$26⅛	26⅛	26⅛	−⅜
3400	UtdDomInd	$10⅝	10½	10½	−⅛
9600	Viceroy Rs	490	485	490	
10800	W'coast E	$16⅛	d15⅞	15⅞	−⅛
500	Weldw Can x	$38½	38	38½	+⅛
2300	WIC B x	$13½	13⅛	13½	+¼

f - No voting rights or restricted voting rights

MONTREAL

3:15 pm prices June 18

Sales	Stock	High	Low	Close	Chng
54300	BombrdierB	$13½	13⅛	13⅜	−⅛
18900	Cambior	$8⅝	8⅛	8¼	
170600	CanImp Bk	$26⅞	26½	26⅞	+⅛
200	CanMarconi	$16	16	15¾	
15100	Cascades	$8	7⅞	8	−⅛
2300	DominTxt A	$5⅞	d5¾	5¾	−⅛
1500	MacleanHnt	$12	12	12	
50600	NatBk Can	$8⅞	8⅞	8⅞	−⅛
300	Provigo	$8¼	8¼	8¼	
6000	Quebecor A	$14⅛	14⅛	14⅛	−⅛
3400	Teleglobe x	$13⅞	13⅞	13⅞	−⅛
6200	Videotron	$16⅝	16⅝	16⅝	−⅛

Total Sales 11,730,300 shares

INDICES

NEW YORK

DOW JONES	Jun 17	Jun 16	Jun 15	Jun 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3287.76	3329.49	3354.90	3354.36	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
22Home Bonds	99.09	100.08	99.94	99.89	100.17 (19/5)	98.41 (20/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1318.20	1342.68	1343.80	1346.23	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.82	214.63	215.32	214.07	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3347.94 (3378.97) Low 3271.17 (3321.73)

STANDARD AND POOR'S

	Jun 17	Jun 16	Jun 15	Jun 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	402.26	408.32	410.29	409.76	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	474.02	481.44	484.19	483.85	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.27	34.91	35.08	34.97	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	221.45	224.72	225.62	225.51	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	379.74	386.12	388.78	391.32	418.99 (12/2)	379.74 (17/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	553.24	564.07	569.01	569.52	644.92 (12/2)	553.24 (17/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jun 12	Jun 5	May 29	year ago (approx.)
Dow Industrial Div. Yield	3.03	2.99	2.99	3.03

	Jun 10	Jun 3	May 27	year ago (approx.)
S & P Industrial div. yield	2.69	2.63	2.65	2.74
S & P Indl. P/E ratio	28.44	28.96	28.77	19.24

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Telefonos	4,784,900	45⅞	- 2⅞
Coca Cola	4,306,100	39⅛	- 1⅛
Philips	3,908,400	16⅝	- 5
Citicorp	3,449,600	20⅞	+ ⅛
Philip Morris	2,781,000	71	+ ⅝
Merck	2,676,600	47½	- 1⅛
Riverwood	2,604,800	14⅞	---
Am T & T	2,556,300	42½	---
Gen Motors	2,366,400	41⅝	- 2⅞
Tyco Toys	2,328,700	16	- 2

TRADING ACTIVITY

† Volume (Millions)	Jun 17	Jun 16	Jun 15
New York SE	227.650	178.860	159.060
Amex	13.472	10.037	10.406
NASDAQ	190.567	163.179	132.356
NYSE			
Issues Traded	2,257	2,249	2,244
Rises	380	756	746
Falls	1,423	955	913
Unchanged	454	538	585
New Highs	25	40	32
New Lows	84	42	42

CANADA

TORONTO	Jun 17	Jun 16	Jun 15	Jun 12	1992 HIGH	1992 LOW
Metals & Minerals	3125.80	3168.64	3174.53	3196.97	3238.87 (16/1)	2828.26 (8/4)
Composite	3368.19	3407.27	3409.77	3408.00	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1770.32	1797.62	1799.90	1796.92	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common−50; Standard and Poor's−10; and Toronto Composite and Metals−1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † *Excluding bonds.* ‡ *Industrial, plus Utilities, Financial and Transportation.* (c) *Closed.* (u) Unavailable.

	Jun 18	Jun 17	Jun 16	Jun 15	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1624.9	1631.1	1639.4	1647.1	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	701.0	706.4	709.9	718.1	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	403.97	409.58	411.99	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	(c)	976.80	988.86	992.51	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1176.22	1189.99	1202.40	1205.18	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	319.02	319.02	322.91	325.42	365.29 (15/1)	319.02 (17/6)
FINLAND						
HEX General (28/12/90)	769.2	786.9	791.8	791.3	935.90 (24/2)	769.20 (18/6)
FRANCE						
CAC General (31/12/82)	518.48	525.06	526.44	527.15	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1891.80	1908.84	1931.41	1918.14	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	(c)	706.39	709.10	708.23	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	(c)	1992.30	2000.3	1997.1	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	(c)	1771.78	1779.10	1773.90	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5796.10	5846.06	5846.75	(c)	6082.70 (27/5)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1355.40	1370.07	1363.78	1357.26	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	471.79	469.69	468.79	472.85	551.59 (6/2)	468.79 (16/6)
MIB General (2/1/92)	930.0	925.0	925.0	934.0	1086.00 (5/2)	925.00 (16/6)
JAPAN						
Nikkei (16/5/49)	16045.56	16445.80	16953.53	16953.23	23801.18 (6/1)	16045.56 (18/6)
Tokyo SE (Topix) (4/1/68)	1245.64	1276.61	1307.21	1305.47	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1926.23	1950.39	1967.87	1977.15	2459.85 (6/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	596.50	603.19	602.15	600.17	619.06 (28/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	305.0	309.8	313.6	312.0	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	208.4	211.7	214.3	213.2	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	717.44	724.52	732.03	735.80	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1499.78	1535.82	1578.48	1575.56	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	407.00	410.44	410.89	409.33	416.99 (21/1)	378.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1132.0§	1152.0	1148.0	1147.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4494.0§	4545.0	4548.0	4522.0	4689.00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	563.85	576.72	579.95	579.81	691.48 (8/2)	561.76 (9/6)
SPAIN						
Madrid SE (30/12/85)	246.51	248.78	248.78	246.88	266.51 (28/2)	238.95 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	928.98	943.30	950.1	948.1	1014.50 (11/5)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	859.7	863.7	866.8	860.8	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	652.3	655.3	658.0	654.1	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4628.78	4603.90	4637.78	4672.49	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangk SET (30/4/75)	755.73	756.29	749.74	743.37	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	489.5*	493.5	500.9	508.9	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	926.61	936.15	942.66	938.9	976.55 (25/5)	870.31 (2/1)

**Saturday June 13: Taiwan Weighted Price: 4676.13, Korea Comp Ex. 580.80.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 28 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 18th June 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod ...	7.8m	980	+19	Sumitomo Metal .	3.7m	245	-3
Nomura Sec	4.6m	1,230	-70	Daikyo Kanko	3.0m	781	-19
Morinaga Milk	4.4m	878	+8	Toyota Motor	2.8m	1,440	-20
Nippon Steel	3.9m	280	-6	NEC Corp	2.8m	809	-23
Chiyoda Corp	3.7m	1,790	-20	Mitsubishi Hvy	2.8m	540	-8

3:15 pm prices June 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	11⅞	AAR Corp	0.48	3.8	14	411	12⅝	12½	12½	-⅛
26	20¼	A L Labs A x	0.18	0.9	79	380	20¼	d19½	19¾	-⅝
68¾	55	AMP Inc	1.52	2.6	23	885	58	57⅞	57⅞	-⅛
80¼	60⅞	AMR				1955905	63¼	62½	63¼	+¾
2⅜	1⅜	ARX			2	65	1⅞	1¾	1⅞	
53½	40¼	ASA	2.00	4.5	12	460	44¾	43¾	44¼	+⅛
34¾	26¾	Abbott Lab	0.60	2.2	20	1882	27⅞	27⅛	27⅞	+⅜
13⅞	12	Abitibi Pr	0.50	3.6	9	6	13⅛	13⅛	13⅛	
11⅞	10⅛	ACM Gvt In x	0.96	8.6		195	11⅛	11	11⅛	
10⅜	9⅛	ACM GvOpp x	0.80	8.2		248	9⅞	9¾	9¾	
9½	8½	ACM Gvt Sp	0.80	8.8		336	9⅛	9	9⅛	+⅛
11⅝	10⅛	ACM Gvt Sc	0.96	8.8		327	10⅞	10⅝	10⅞	+⅛
9⅝	8⅝	ACM Man x	0.95	10.1		242	9⅜	9¼	9⅜	
12⅞	10⅝	ACM Mangd x	1.08	9.3		280	11⅝	11½	11⅝	+⅛
11⅝	6⅞	Acme Cleve	0.40	5.5	25	34	7⅜	7⅜	7⅜	
6¼	4½	Acme Elect			3	72	4⅝	d4½	4½	-⅛
33¼	18⅞	Acuson				132238	21⅛	20⅞	20⅞	-⅜
19½	16⅛	Adams Expr	0.48	2.6	0	72	18⅝	18⅝	18⅝	
48¼	38½	Ad Micro	3.00	10.0		2885	30¼	d28½	28⅞	-6⅜
21½	14½	Ad Micro P	3.00	33.3		35834	9½	d8¾	9	-6½
9⅛	5	Advest Grp	0.18	2.8	61	27	6⅜	6⅛	6⅜	
[illegible]										

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

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- H -

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- I -

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Prev. Close	Ch'ge
[illegible]											
28½	24⅞	Xtra 1.84	1.84	7.1		7	27⅝	27⅛	27⅝		
37	28½	Xtra Corp	0.80	2.3	12	72	35	34½	34½	−1¼	
27	25⅛	Yankee Egy	1.56	6.4	11	18	26⅛	26	26⅛	+⅛	
1½	½	Zapata			46	820	1	15/16	15/16	−1/16	
11⅛	6¾	ZenithElec			3	282	7⅛	7	7⅛		
18⅞	14½	Zenith Nat	1.00	5.8	8	54	17⅞	17⅝	17¾		
7⅛	6	Zenix Inc x	0.82	11.9		64	6⅞	6¾	6⅞		
13¾	11	Zero Corp	0.40	3.7	17	273	11⅛	d10⅞	10⅞	−⅛	
38	28⅜	Zurn Ind x	0.88	3.1	31	131	28½	d28	28½	+¼	
14⅛	12	Zweig Fund	1.18	9.3		258	12½	12⅜	12½		
11	9½	Zweig Totl x	1.00	10.3		838	9¼	9⅝	9¾		

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:15 pm prices June 18

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Pall Corp	0.36	26	1413	25⅝	24⅞	25	+⅛
Pegasus G	0.10	35	223	13¾	13½	13⅝	+⅛
Perini	0.60	27	46	12⅞	12⅝	12⅞	
Pit HiP x	1.14	15	7	13⅝	13⅝	13¾	+⅛
Pitt LD x	0.24	15	969	38⅝	36¼	36⅝	−3
Plessy A x	1.10	15	24	28⅝	28	28	
Ply Gem	0.12	22	94	11	10¾	10⅞	−⅛
PMC	0.54	14	4	9½	d9½	9½	
PresidioA	0.10	1	45	2⅛	2⅛	2⅛	
Prica Com		0	10	3/32	d3/32	3/32	
[illegible]							
Chmbrs A		8	564	6⅞	6¾	6¾	−⅛
Chambers		9	33	7⅛	7	7⅛	
Champion		44	27	4⅛	4	4	−⅛
Chiles		0	412	1	1	1	
Hasbro	0.20	28	2368	27¼	26⅞	27⅛	+½
Health Ch		8	29	1¾	1⅝	1¾	+⅛
Healthvst		274	415	2¾	2⅝	2¾	+⅛
Odetics A		299	17	6⅛	6	6	
Oilaten	0.24	28	199	29	29	29	
Oall Corp	0.14	7	78	6¾	6½	6⅝	

NASDAQ NATIONAL MARKET

3:15 pm prices June 18

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							
Worthgn	0.05	9	88	21¼	21⅛	21¼	−⅛
Xyronix		13	165	9¾	8⅝	9⅝	+1
WPP Group	1.11	1	105	1⅞	1⅞	1⅞	−1/16
Wyman-Gdn	0.40	0	10	4½	4⅛	4⅛	−⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		21	1306	20	19¼	19½	+¼
Xoma Corp		7	3638	13¾	d12⅝	13	−⅛
Yellow Fr	0.94	22	646	27⅝	27¼	27⅜	−⅛
York Rsch		5	2142	5⅛	4⅞	5⅛	+⅛
ZionsUtah	1.44	10	2	53¾	52	52¾	

AMERICA

Dow recoups early decline by midsession

Wall Street

IN SPITE of further declines on overseas markets and concern about the impact today's expiration of derivatives contracts would have on US equities, share prices managed to hold their own yesterday, writes Patrick Harverson in New York.

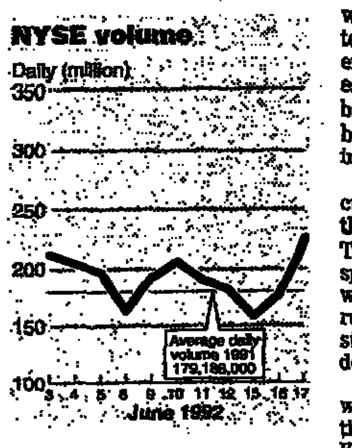
By 1 pm the Dow Jones Industrial Average was up 1.33 at 3,289.09, a recovery from early morning losses, when the index had been almost 20 points lower. The more broadly based Standard & Poor's 500 was also slightly firmer at the halfway mark, up 0.47 at 402.73. The Amex composite, however, was down 1.37 at 378.37, but the Nasdaq composite rose 0.10 at 553.34. Turnover on the NYSE was 135m shares by 1 pm.

After opening lower following the big declines in Tokyo and London, the market found little comfort in the day's economic news. The April trade deficit of $7bn was wider than expected, while the decline in weekly jobless claims was smaller than forecast and indicative of a weak labour market.

One feature was investor wariness about buying ahead of today's expiration of futures and options contracts. With the market in its current vulnerable state, there was concern that the expirations, always a potentially disruptive force on underlying equity prices, could send share prices into a prolonged tail-spin.

Among individual stocks, Advanced Micro Devices plunged $5¼ to $9¼ in turnover of 4.4m shares after a federal jury ruled that the company cannot use a piece of Intel software in its clones of Intel microprocessors. The news lifted Intel $3⅛ to $51¼ in turnover of 5.5m shares.

IBM rose $3¼ to $95⅝ after an earnings upgrade from broking house Merrill Lynch, which raised its 1992 and 1992



profits estimates for the computer group to $7.25 a share and $9 a share respectively. IBM's gains boosted other big computer stocks, with Hewlett-Packard adding $2⅛ at $67⅞, Digital Equipment rising $⅝ to $37¼ and Compaq putting on $¾ at $25⅛. Apple, which like Intel is quoted on the over-the-counter market, rose $1⅛ to $49.

Sundstrand, well bid on Wednesday following positive analysts' comments, fell $1⅝ to $36⅝ after the company announced plans for a 60 cents a share restructuring charge in the second quarter.

On the Nasdaq market, J & J Snack Foods slumped $3¼ to $9¼ after warning that third quarter earnings will be below the 20 cents a share posted a year ago.

Canada

TORONTO struggled back from early morning weakness in moderate midday trade. Most sectors suffered losses, with the consumer products and communications and media indices hardest hit by slides in their heavily-weighted issues. The TSE 300 was off 10.9 at 3,357.3, up from a morning low of 3,349.6, in volume of 14.68m shares valued at C$155m.

EUROPE

GPA, Maastricht add to continental caution

GPA's aborted flotation and the Irish referendum on Maastricht took their toll on bourses yesterday, *writes Our Markets Staff.* Frankfurt was closed for a holiday.

AMSTERDAM saw Philips down another Fl 1.20 at Fl 29.90 following Wednesday's profit warning with the shares expected to fall further today on the expiry of options. Volume was estimated at some 4.5m shares, broadly the same as the day before. The CBS Tendency index was 1.6 down at 125.8.

KLM's transatlantic price cuts on flights originating from the US sent the shares lower. The airline was also rocked by speculation that a US airline was about to file for bankruptcy: KLM has a 20 per cent stake in Northwest. It closed down Fl 1.10 at Fl 38.10.

Some analysts said that the withdrawal of the GPA flotation would have less effect on KLM than on Fokker, down Fl 1.30 or nearly 4 per cent at Fl 32.20 because of the latter's exposure to regional airlines

FT-SE Eurotrack 100 - Jun 18‡							
Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1151.94	1151.40	1150.69	1149.96	1149.71	1147.41	1146.47	1145.88‡
Day's High 1152.25				Day's Low 1145.88			
Jun 17	Jun 16	Jun 15	Jun 12	Jun 11			
1158.46	1165.38	1159.75	1167.48	1162.52			

Base value 1000 (26/10/90). ‡ Partial.

which depend on leasing finance.

Elsevier closed Fl 2.20 lower at Fl 107.50 on rumours that Mr Cornelis Alberti, an executive director at Elsevier and tipped to become chairman, was to resign.

PARIS ended lower after a volatile session as investors sold out, troubled by weakness on other markets and Maastricht doubts. The CAC-40 index went as low as 1,880.51 before closing 17.04 down at 1,891.80, its lowest close since February 17. Turnover rose slightly to FFr2.7bn.

Michelin was one of the day's more prominent losers, falling FFr6.7 or 3.4 per cent to FFr193.3 ahead of its annual shareholders's meeting next Thursday. Alcatel, another widely-held blue chip, lost FFr13 to FFr617.

Among smaller stocks, Hachette lost FFr3.4 to FFr128.7 in spite of the company's forecast of a return to profit this year.

MILAN started about 0.5 per cent higher, following the favourable political developments on Wednesday, but later came back slightly in view of the weakness on foreign markets. The Comit index rose 2.1 to 471.79 in turnover estimated at between L90bn-L95bn after L88bn on Wednesday.

Trading on the screen system was delayed by one hour due to problems with the telephone lines linking the network. Sip was the most heavily traded on the system, losing L73 to L1,278 in 7.02m shares, on fears that the reorganisation of the sector would take longer than expected.

Weakness in the Italian bond market, following Wednesday's devaluation fears, put pressure on the banking sector. Banca Commerciale fell L65 to L2,955 and Credito Italiano lost L48 to L1,636.

ZURICH was relatively resilient, the SMI index closing 10.6 lower at 1,862.5 in moderate volume. Registered shares in Ciba-Geigy, SFr30 lower at SFr3,280, topped the active list. Other chemicals were also lower with the exemption of bearers in Merck which rose SFr18 to SFr696 on buying by one small Zurich-based bank.

Swissair extended losses from midday to close SFr12 lower at SFr720. The airline said on Wednesday that it planned to cut 400 of its 6,000 administrative jobs.

MADRID weakened in moderate volume, the general index losing 1.55 to 246.51. Rumours that the chemicals group Ercros may file for bankruptcy drove the shares down Pta33 or 15 per cent to Pta189.

STOCKHOLM fell ahead of the midsummer holiday today. The Affärsvärlden General index fell 14.40 to 928.90 in moderate turnover of SKr430m, of which trading in Astra accounted for SKr90m, as yesterday was the final day for trade in Astra restricted shares. All Astra shares will be unrestricted from Monday.

OSLO suffered its 13th consecutive decline, depressed by falls on the foreign exchanges. The all-share index dropped 6.51 to 417.28 in trading worth NKr250m.

Norsk Hydro shed NKr2.50 to NKr162. UNI Storebrand, which asked the government for permission to hold its 28 per cent stake in the Swedish insurer Skandia beyond June 30, saw its A shares drop NKr3 to NKr39.

COPENHAGEN moved against the trend, the KFX index closing 0.29 higher at 89.03 after a modest recovery by bank and insurance shares.

The insurer, Hafnia, in deep trouble because of unrealised losses on its large stakes in Baltica and Skandia, saw its A rise DKr12 to DKr142, mainly because of the rise in value of its 33.5 per cent stake in Baltica, whose shares rose DKr20 to DKr460.

Danske Bank and Unidanmark edged up in quiet trading, mainly because the domestic bond market stabilised.

HELSINKI's banks were another story. Free shares in KOP, one of Finland's largest banks, fell FM1.2 to FM8 as the Hex index closed 17.7, or 2.2 per cent lower at 769.2, although traders said that trading was extremely thin.

ISTANBUL jumped by 2.7 per cent with the 75-share index closing up 95.52 at 3,614.54, its highest level for over a month. Turnover was estimated at TL205.7bn from TL144.8bn.

ASIA PACIFIC

Nikkei loses 2.4% despite buying by investment trusts

Tokyo

THE NIKKEI average set a 5½-year low for the second consecutive day as a drop in the futures market prompted further arbitrage-linked selling, *writes Emiko Terazono in Tokyo.*

The 225-issue average lost 400.24, or 2.4 per cent, to 16,045.56. The index fell to the day's low of 16,030.91 in the morning session on arbitrage selling and liquidation of holdings by corporations and financial institutions.

Heavy buying in the afternoon by investment trusts helped recoup the losses, and the Nikkei rose to 16,403.65. However, the improvement was eroded by selling by a leading US broker towards the end of the session.

Volume rose from 288m shares to 330m. Foreign investors, who until recently have been buyers of the Tokyo market, were seen selling real estate, securities and bank shares. Traders said foreign interest towards Japanese stocks was waning, although liquidation of holdings is not expected in the near term.

Declines outnumbered advances by 905 to 118, with 85 issues unchanged. The Topix index of all first section stocks dropped 30.97, or 2.4 per cent, to 1,245.64, but in London the ISE/Nikkei 50 index put on 4.46 to 976.04.

Comments by Mr Yasushi Mieno, Bank of Japan governor, ruling out scope for a cut in the official discount rate also discouraged investors. In spite of the denial, however, the sharp falls in share prices raised hopes of monetary easing among bond market participants. The yield on the 129 10-year benchmark fell to 5.395 per cent from 5.42 per cent on hopes of lower short-term rates.

However, stock market participants ignored movements in the bond market. Traders said buyers would be absent while the selling by arbitrageurs and institutions continued.

A total of 212 shares fell to the year's low, as was the case with Nippon Steel, Y5 cheaper at Y260.

Rumours that leading Japanese brokers had revised down their earnings forecasts for the leading steel companies prompted selling. Institutional investors sold holdings of leading blue chips.

Daikyo, the condominium maker, weakened Y19 to Y781. The issue fell by its daily limit on Wednesday as rumours that the company faces financial trouble circulated in the market. Although company officials denied such rumours, traders said investors remained pessimistic about Daikyo's business prospects.

Real estate companies were also weak, with Mitsui Fudosan finishing Y55 down at Y830 and Mitsubishi Estate retreating Y21 to Y779.

In Osaka, the OSE average declined 358.77 to 19,143.36 in volume of 22.3m shares.

Roundup

WEAKNESS IN New York and Tokyo unsettled Pacific Rim markets.

NEW ZEALAND closed lower as investors, already scarce ahead of the July 2 government budget announcement, were further discouraged by weakness on international markets. The NZSE-40 index closed 14.85 down at 1,515.95 in turnover of NZ$34.9m (NZ$29.6m). An exception was Brierley Investments, a cent up at 97 cents on the day's heaviest volume of 6.7m shares.

AUSTRALIA held up fairly well in the face of the sharp declines in New York and Tokyo, the All Ordinaries index ending 6.2 off at 1,624.9 after an early low of 1,616.1. Turnover was steady at A$271m. CRA fell 12 cents to A$14.24 after reporting that a strike had closed iron-ore production at its Hamersley unit in Western Australia.

MANILA continued its downward correction as the composite index shed 36.04 to 1,499.78 in turnover of 184m pesos, after 264m. The decline was triggered by a $2.125 loss to $39.625 for PLDT in overnight trading on the American Stock Exchange. It fell 45 pesos to 1,045 pesos in Manila.

HONG KONG also extended its retreat, the Hang Seng index tumbling 49.96 to 5,796.10 in steady turnover of HK$2.77bn. Utilities were sharply lower: Hongkong Electric lost 40 cents to HK$18.60.

KUALA LUMPUR was broadly lower in light trading, the composite index slipping 6.69 to 596.50 in turnover of M$103m (M$186m). Telekom Malaysia declined 30 cents to M$13.70 and Tenaga Nasional 25 cents to M$8.50.

SINGAPORE fell on profit-taking. The Straits Times Industrial index closed 11.41 down at 1,506.03 in turnover of S$112.4m (S$140.3m). Shipping stocks were among the most actively traded, joining shipyard issues on the list of losers. Hotel shares were also sold after a local report that occupancy rates have slipped in the second quarter.

TAIWAN firmed in light dealings as late bargain hunting overwhelmed midsession declines. The weighted index gained a net 24.88 at 4,628.78 as turnover shrank to T$28bn from T$36.8bn. **SEOUL** dropped in cautious trading. The composite index fell 12.87 to 563.85 in turnover of Won211.5bn, after Won326.5bn.

SOUTH AFRICA

JOHANNESBURG dropped in nervous trading. The industrial index fell 51 to 4,494 and the overall index was off 43 at 3,657. The gold index dropped 20 to 1,132. The gold share Venters jumped 30 cents to R1.55 in speculative trading.

Italian volume continues recovery

William Cochrane reviews last month's European equity turnover

May was a volatile month for equity turnover on European stock exchanges, with a weakening in Belgium, France and the UK balanced by gains elsewhere. But even the winners were riding for a fall.

Italy put up the biggest increase in trading, turnover rising by 30.7 per cent, extending and accelerating a 25.4 per cent gain in April after an exceptionally weak March. It had periods of excitement, and stock market rallies in May on the hopes of a recovery in political stability and in the economy longer term, seen particularly in industrial shares in anticipation of these events.

"People thought that Italy must have seen all the bad news," says Mr James Cornish of County NatWest, which produces the monthly turnover figures, "but the change in sentiment came ahead of any change in reality." The Danish "No" vote to the EC Maastricht treaty brought fear back into the Milan bourse at the beginning of June; it had already been severely incapacitated on June 1, when the screen trading system was knocked out of commission by heavy rainstorms and lightning.

The Netherlands, up 20.5 per cent, was helped by the oil price rise and the boost in trading which this gave to Royal Dutch. There is a sense in which a market so sensitive to oil, the US dollar and the performance of its big international stocks seems never to have a domestic story of its own to tell.

"There is a good story to be told about the Dutch domestic equity market," says Mr Cornish; but he reflects wryly that, this month, it seems likely to be submerged in this week's further, painful chapter in the Philips saga.

Germany, in May, put on 16.6 per cent as the threat of a metalworkers' strike was averted. In this, it effectively returned to the January/March level after a nervous April, but once again, as in the case of other European bourses, its June trading has been seriously affected by worries about EC stability – after the Danish vote, on the run-up to yesterday's Irish referendum and in the prospect of a French version in September.

Political stories were also reflected in the UK and France, the former falling by 14.1 per cent as the post-election spree evaporated and the latter declining by 10.7 per cent following the April euphoria on the appointment of Mr Pierre Beregovoy as prime minister.

Belgium dropped by 20.6 per cent. Here, the market was still up on the average for the previous 12 months, and Mr Sebastian Scotney, Belgian specialist at Dillon Read, says dividend dates were behind the decline: "Quite a lot of the market goes ex-dividend during May, and the dividend-interest buying which lifted April was replaced by post-dividend languor in big blue chips such as Petrofina, Electrabel and Société Générale de Banque."

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Feb 1992	Mar 1992	Apr 1992	May 1992	US $bn
Belgium	46.72	48.28	51.36	40.80	1.23
France	116.18	108.97	112.17	100.16	18.57
Germany	126.20	126.68	107.90	125.80	78.28
Italy	8,948.80	5,944.80	7,457.20	9,747.60	8.06
Netherlands	14.10	11.60	12.20	14.70	8.13
Spain	667.83	607.28	461.52	513.47	5.13
Switzerland	10.90	11.88	12.48	13.29	9.13
UK	29.61	32.59	41.17	35.35	64.70

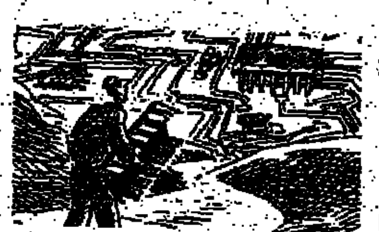
Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: County NatWest WoodMac.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 17 1992								TUESDAY JUNE 16 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	146.61	−0.5	117.27	117.74	120.28	129.40	−0.6	4.22	147.32	117.43	117.99	120.02	130.12	153.68	140.94	140.09
Austria (19)	171.61	−1.4	137.26	137.82	140.79	140.50	−1.3	2.09	174.04	138.73	139.39	141.79	142.33	186.70	162.48	187.63
Belgium (46)	142.58	−0.8	114.05	114.50	116.97	114.10	−0.5	5.35	143.75	114.58	115.12	117.11	114.68	146.19	135.87	127.41
Canada (115)	125.61	−1.3	100.48	100.88	103.05	108.79	−1.4	3.39	127.33	101.50	101.97	103.73	110.32	142.12	125.60	141.07
Denmark (35)	231.91	−1.9	185.50	186.25	190.26	191.30	−1.5	1.92	236.47	188.49	189.39	192.65	194.18	273.94	226.61	240.64
Finland (15)	77.00	−1.6	61.59	61.85	63.18	69.39	−1.4	2.03	78.23	62.35	62.65	63.73	70.37	89.80	73.64	102.67
France (104)	159.51	−1.9	127.59	128.09	130.85	133.05	−1.1	3.53	162.55	129.56	130.17	132.41	134.56	168.75	148.06	128.91
Germany (65)	124.07	−1.0	99.24	99.65	101.78	101.78	−0.3	2.27	125.37	99.93	100.42	102.13	102.13	125.37	114.67	109.61
Hong Kong (55)	246.81	+0.0	197.42	198.21	202.49	245.01	+0.0	3.34	246.80	196.72	197.66	201.07	244.99	254.67	176.36	151.64
Ireland (16)	160.31	+0.3	128.23	128.74	131.51	133.11	+0.6	4.08	159.90	127.46	128.06	130.27	132.26	173.71	151.78	145.12
Italy (78)	69.51	−0.1	55.60	55.82	57.02	61.98	+0.5	3.37	69.59	55.47	55.73	56.69	61.65	80.86	68.39	77.64
Japan (473)	98.29	−2.7	78.62	78.93	80.64	78.93	−2.5	1.06	101.05	80.55	80.93	82.34	80.93	140.95	88.70	129.02
Malaysia (69)	241.48	−0.1	193.15	193.92	198.10	234.13	−0.1	2.67	241.64	192.61	193.52	196.86	234.48	250.18	212.49	237.13
Mexico (18)	1488.64	−2.5	1190.74	1195.53	1221.28	5080.55	−2.4	1.13	1527.05	1217.20	1223.00	1244.06	5207.47	1789.77	1376.91	1009.94
Netherland (25)	162.08	−1.9	129.65	130.17	132.97	131.42	−1.3	4.27	165.22	131.70	132.32	134.60	133.13	165.22	147.88	134.68
New Zealand (14)	46.34	+0.1	37.06	37.22	38.02	45.37	+0.1	4.99	46.29	36.90	37.08	37.71	45.32	48.52	42.01	48.49
Norway (23)	179.39	−1.7	143.49	144.07	147.17	149.93	−1.2	1.69	182.42	145.40	146.10	148.61	151.78	192.95	161.26	191.70
Singapore (38)	228.06	+0.0	182.44	183.17	187.11	170.59	−0.1	1.95	228.17	181.87	182.74	185.88	170.81	229.63	192.76	197.71
South Africa (61)	237.10	+1.4	189.66	190.42	194.52	186.77	−0.1	2.76	233.82	186.38	187.26	190.48	186.87	263.60	203.16	228.16
Spain (50)	154.17	−0.6	123.32	123.82	126.48	115.74	−0.4	5.26	155.11	123.64	124.23	126.36	116.16	161.72	146.86	148.29
Sweden (27)	193.30	−1.9	154.61	155.24	158.58	162.75	−1.3	2.73	197.08	157.09	157.84	160.56	164.91	200.28	173.09	189.33
Switzerland (63)	108.01	−1.3	86.39	86.75	88.62	95.05	−0.5	2.25	109.43	87.22	87.64	89.16	95.48	109.43	95.99	90.78
United Kingdom (227)	193.14	−1.0	154.49	155.10	158.44	154.49	−0.7	4.82	195.12	155.53	156.26	158.94	155.53	200.07	165.85	162.32
USA (522)	163.89	−1.4	131.09	131.63	134.46	163.89	−1.4	3.05	166.25	132.52	133.16	135.45	166.25	171.66	160.92	151.80
Europe (793)	153.00	−1.2	122.39	122.88	125.53	124.64	−0.8	3.92	154.80	123.39	123.98	126.12	125.45	156.88	139.31	133.12
Nordic (100)	177.11	−1.9	141.67	142.24	145.31	142.54	−1.4	2.28	180.52	143.89	144.58	147.07	144.52	188.52	169.66	181.39
Pacific Basin (718)	105.01	−2.4	84.00	84.34	86.15	85.41	−2.1	1.45	107.54	85.72	86.13	87.61	87.27	141.97	94.40	129.98
Euro–Pacific (1511)	124.41	−1.8	99.52	99.91	102.06	101.60	−1.4	2.67	126.66	100.96	101.43	103.18	103.05	145.21	113.80	131.55
North America (637)	161.48	−1.4	129.17	129.70	132.50	160.14	−1.4	3.06	163.81	130.57	131.21	133.47	162.45	169.69	158.70	151.05
Europe Ex. UK (566)	129.04	−1.3	103.22	103.65	105.89	107.38	−0.6	3.25	130.70	104.18	104.70	106.50	108.07	131.77	121.81	115.19
Pacific Ex. Japan (245)	171.12	−0.2	136.88	137.45	140.40	152.28	−0.2	3.52	171.42	136.64	137.31	139.67	152.62	175.31	149.00	139.26
World Ex. US (1705)	126.56	−1.7	101.24	101.65	103.84	103.98	−1.4	2.68	128.75	102.63	103.12	104.89	105.45	146.91	116.45	133.37
World Ex. UK (2000)	133.02	−1.7	106.40	106.84	109.14	119.19	−1.5	2.56	135.27	107.82	108.35	110.22	121.00	150.58	127.21	136.30
World Ex. So. Af. (2166)	137.54	−1.6	110.02	110.47	112.85	121.90	−1.4	2.83	139.82	111.45	111.99	113.82	123.29	155.05	130.04	138.01
World Ex. Japan (1754)	160.60	−1.2	128.38	128.91	131.70	147.56	−1.1	3.38	162.48	129.51	130.14	132.39	149.14	165.40	153.20	144.97
The World Index (2227)	138.20	−1.6	110.54	110.99	113.38	122.48	−1.4	2.82	140.43	111.93	112.47	114.41	124.22	153.70	130.66	138.59

Latest prices were unavailable for this edition.



American dreams

Confidence returns to Silicon Valley

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Surveys

● *Telecommunications in Business*
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THE BIG LIE
Inside Maxwell's empire

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Sins of the father
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FINANCIAL TIMES

Thursday June 18 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

Car-free European cities proposed by Ripa di Meana

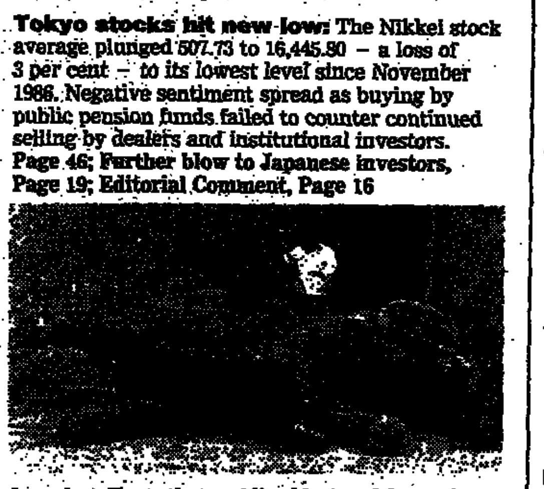
EC environment commissioner Carlo Ripa di Meana said city dwellers should get rid of their cars to prevent Europe's cities being choked by the internal combustion engine.

Saying he was ready to set an example by abandoning his own Alfa Romeo, he unveiled a study showing it would cost between two and five times less to live and work in car-free cities. Page 18

Maastricht uncertainty: One in four voters in today's Irish referendum on the Maastricht treaty is still undecided, according to a public opinion poll published yesterday. Page 18; Further Maastricht reports, Page 3

Italian premiership: President Oscar Luigi Scalfaro announced he would formally invite Giuliano Amato, a former Socialist finance minister, to be Italy's 51st Italian prime minister since the war. Page 2; Lira devaluation fears, Page 24

Tokyo stocks hit new low: The Nikkei stock average plunged 507.73 to 16,445.80 – a loss of 3 per cent – to its lowest level since November 1986. Negative sentiment spread as buying by public pension funds failed to counter continued selling by dealers and institutional investors. Page 46; Further blow to Japanese investors, Page 19; Editorial Comment, Page 16



London Zoo, the world's oldest and formerly a top tourist attraction, will close in September unless a private backer can be found. The zoo has been in financial difficulties. After breaking even in March it cancelled closure plans. However, attendance so far this year has fallen to 30 per cent below target and the zoo has a deficit of £2m ($3.64m) on annual running costs. Report and further picture, Page 9

German hostages freed: German aid workers Heinrich Strübig and Thomas Kemptner, the last western hostages in Lebanon, returned home to Cologne from Beirut, after three years held by Shia Moslems seeking the release of two prisoners in Germany. It's not over yet, Page 4

Banco Santander president Emilio Botin has been subpoenaed to appear tomorrow before a Madrid judge who is investigating possible tax fraud involving loans worth about $1bn made by the bank between 1987 and 1989. Page 19

Upjohn stocks slump: Shares in Upjohn, US pharmaceuticals group, tumbled towards a 52-week low after the company warned that second-quarter earnings would not surpass last year's. Page 19; Wall Street, Page 46

Cable and Wireless chairman Lord Young said he was discussing partnerships for specific projects but ruled out a global alliance. Page 19; Lex, Page 18

BICC, UK-based cables and construction group, announced a £55m ($100m) deal which will double its share of the power cable market in North America. Page 19

Czechoslovak pact: Czech and Slovak leaders reached basic agreement on forming a new government, but remained deadlocked on how to prevent Czechoslovakia splitting. Page 2

Tanker crash kills 48: At least 48 people were killed on Egypt's north-western coast road near Alexandria when a tanker carrying inflammable liquid collided with a bus.

Portuguese drugs haul: Portuguese police claimed to have made Europe's biggest cocaine haul after they seized 4,000lb of the drug as it was transferred to a fishing boat. Two Spaniards were arrested.

Digital Equipment, world's third-largest information technology group, is reorganising its European operations in an effort to restore flagging sales and profitability. Page 21

European soccer: England and France were knocked out of the European championship in Sweden. Sweden beat England 2-1 and Denmark beat France 2-1 to go into the semi-finals. About 40 England supporters attacked Swedish fans in Stockholm after the defeat.

■ STOCK MARKET INDICES		
FT-SE 100:	2,598.4	(-17.9)
Yield	4.71	
FT-SE Eurotrack 100	1,158.46	(-6.92)
FT-A All-Share	1,255.19	(-0.6)
FT-A World Index	138.28	(-1.6%)
Nikkei	16,445.80	(-507.73)
New York:		
Dow Jones Ind Ave	3,287.78	(-41.73)
S&P Composite	402.26	(-6.06)
■ US LUNCHTIME RATES		
Federal Funds:	3 11/16%	(3 5/8%)
3-mo Treas Bills: Yld	3.684%	(3.715%)
Long Bond	102	(101 13/32)
Yield	7.819%	(7.827%)
■ LONDON MONEY		
3-mo Interbank	10 1/16%	(10 1/16%)
Liffe long gilt future:	Sep 97 7/8	(Sep 97 23/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day Aug	$20.95	(21.075)
■ Gold		
New York Comex Jun	$341.2	(342.2)
London	$342.35	(342.15)

■ STERLING		
New York:		
$	1.8568	(1.8648)
London:		
$	1.8535	(1.86)
DM	2.925	(2.915)
FFr	9.855	(9.815)
SFr	2.63	(2.6175)
Y	235.5	(same)
£ Index	93.0	(92.8)
■ DOLLAR		
New York:		
DM	1.5745	(1.5638)
FFr	5.3025	(5.265)
SFr	1.4167	(1.405)
Y	127.27	(126.45)
London:		
DM	1.578	(1.567)
FFr	5.3175	(5.2775)
SFr	1.4195	(1.4075)
Y	127.05	(126.7)
$ Index	62.3	(62.3)
Tokyo close Y 126.6		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr16.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

Fresh fighting in Sarajevo dashes UN relief plan

By Judy Dempsey in Belgrade

THE FRAGILE ceasefire in Sarajevo, the besieged Bosnian capital, collapsed yesterday, dashing hopes of the United Nations sending food and humanitarian aid to the city's starving inhabitants.

UN officials said the ceasefire ended at dawn after Sarajevo came under fresh mortar attacks and heavy bombardment from the surrounding hills, which are held by Serb irregulars and Serbia's proxy Bosnian army.

Last night Serb irregulars were again pounding the city and its suburbs with artillery, and the main government building was bombarded for several hours.

Street fighting moved towards the centre of Sarajevo as Serb irregulars and Bosnian territorial defence units engaged in sustained battles for control of parts of the city.

Eye witnesses reported that Serb irregulars had entered the suburb of Dobrinja, near the airport, and had taken many people from their apartments, evidently to exchange them for captured Serb snipers.

A senior UN official in Belgrade, the Serbian capital, said it was too dangerous for the UN to try to reopen Sarajevo airport for an airlift of food and other supplies. He said a UN convoy that left Belgrade yesterday morning with relief supplies was still blocked from entering Sarajevo.

"There is no water, no food, no electricity. There is no hope. There is only fighting. We are being abandoned by the world community," said Mr Ivan Knesovic, a philosopher professor at Sarajevo university.

Mr Knesovic said he was afraid that the Serb irregulars would eventually take Sarajevo street by street, house by house.

UN officials had pinned great hopes on the ceasefire, as one of the last chances to reopen the airport, blockaded by Serb irregulars for 11 weeks.

"There is little chance now that Canadian troops will be sent to take over control of the airport," Mr Knesovic said.

The Serb irregulars, led by Mr Radovan Karadzic and General Ratko Mladic agreed to the ceasefire last Sunday in the belief they could use a lull to consolidate their positions in the city and eventually divide it.

But western diplomats said an agreement between Bosnian president Alija Izetbegovic and Croatian president Franjo Tudjman to form a military alliance could have persuaded the Serb irregulars to abandon the ceasefire.

"The Serbs now see Bosnia as a war in which Serbs are pitted against Moslems and Croats," a western military attaché said.

The offensive by the army from Croatia into Hercegovina (western Bosnia) could also have destabilised the ceasefire. "Croatia, like Serbia, has de facto invaded the independent republic of Bosnia with the aim of carving it right down the middle between Serbia and Croatia," he said.

Controller of Liechtenstein company to help trace plundered assets

Foundation may replace funds taken by Maxwell

By Andrew Jack in Vaduz

THE Liechtenstein lawyer controlling the Maxwell Foundation, one of the ultimate shareholders of the Maxwell business empire, yesterday said he would try to use his powers to provide money to compensate pensioners affected by theft of their funds.

Speaking at what is believed to be the first press conference held by a lawyer in the tiny alpine principality on the subject of trust funds, Mr Werner Keicher promised complete co-operation with investigators trying to trace the movement of assets throughout the Maxwell business empire.

He revealed details of the Foundation's assets and objectives and said he was considering exerting control over Maxwell companies which were recently shown to be continuing to operate, outside the control of British administrators.

Mr Keicher said he wanted the companies to continue to operate and to pay dividends to the Maxwell Foundation. He would attempt to change the charitable objectives of the Foundation to allow it to pay these dividends to pensioners.

"The problem of the pension funds and the fate of the pensioners disturbs me greatly," he said. "Why should they not receive money from the Foundation?"

Mr Keicher said the current charitable beneficiaries did not include any members of the Maxwell family. "Mr Kevin Maxwell will never get a cent out of this Foundation," he said.

Yesterday's press conference was a strange gathering for Liechtenstein, since much of the country's business derives from its reputation as a secretive haven for assets from abroad.

"I don't know how my colleagues will react," Mr Keicher said. "What I did today [went] quite far."

Mr Keicher said he had not consulted anyone before deciding to hold the press conference. He appeared relaxed and candid as he answered in English and German more than two hours of questions from journalists crowded into a small hotel room.

But he offered little encouragement for those hoping to identify hoards of hidden assets held in the country. He said the Maxwell Foundation held about SFr3,000 ($2,000) in cash, an unspecified number of shares in Maxwell Communication Corporation, currently in administration, and 100 per cent of the shares of Swico Anstalt Vaduz, another Liechtenstein holding company.

Swico, in turn, owned 89 per cent of Sphere, a Californian computer games company, as well as 100 per cent of PH (US) Inc, an American investment company currently under investigation for receiving money from the Maxwell public companies, and of Yakosa Finanzierungs AG, a Swiss trust under investigation for part of an alleged scheme to support the MCC share price.

Swico also owns minority shareholdings in Robert Maxwell Group, parent of Mirror Group Newspapers, Headington Investments, the ultimate UK holding company, and PHA Investments, a secretive investment company. Swico also held about £4,000 ($7,200) in cash.

Mr Keicher said he was using his influence as controlling shareholder to obtain the up-to-date accounts of the companies held by Swico, and intended to intervene in their operations. He would also consider changing the directors of Swico - who are Mr Keicher himself and an elderly Parisian lawyer.

Mr Keicher said he had refused requests to use MCC shares held by the Foundation as collateral for loans. The requests came in the last two years from Mr Werner Rechsteiner, a Swiss lawyer who controls Servex, a trust which received MCC shares which have been linked to alleged share support operations.

Separately, a lawyer representing several other secretive Liechtenstein trusts said more than 10m shares from MCC and Mirror Group Newspapers had been "donated" through Goldman Sachs, the US investment bank used by Mr Robert Maxwell to purchase shares as part of an alleged share support operation.

Mr Kamil Braxator, legal representative of Allgemeines Treuunternehmen, a company which employs lawyers as trustees to many trust funds, said he was currently attempting to draw up lists of assets and beneficiaries. He said he would not give any further details until this process was complete.

Liechtenstein lawyer Werner Keicher promises to co-operate with Maxwell investigators

The Big Lie, Page 8
MGN directors ousted, Page 9
Daily News funds, Page 18

US chief executives hopeful on economy

By Michael Prowse in Washington

WHITE HOUSE hopes that economic recovery will arrive in time to improve President George Bush's election prospects will be boosted today by a survey suggesting that US chief executives are more confident about the economic outlook than at any time since 1984.

The Conference Board, a New York business analysis group, says its index of confidence jumped eight points to 70 in the past three months. It says the "overwhelming majority" of business leaders expect the economy to improve in the next six months.

The quarterly index rose seven points in the first quarter of this year and is now more than double the low point reached in the final quarter of 1990 after Iraq's invasion of Kuwait.

Confidence is now well above the highest levels registered last year when the economy began a faltering recovery.

The improvement in boardroom sentiment is running ahead of consumer confidence which is up modestly but still far below levels normal during a recovery.

The discrepancy may reflect extensive restructuring in many sectors, which is improving profitability but undermining job security for white collar as well as blue collar workers.

The board's index is based on the assessment by chief executives of current economic condi-

Continued on Page 18

Shares in Philips slide 15% after group profits warning

By Ronald van de Krol in Amsterdam

SHARES in Philips, the Dutch electronics group, fell more than 15 per cent on the Amsterdam Stock Exchange yesterday after the company warned that difficulties in the consumer electronics sector would cause a substantial drop in second-quarter results.

Full-year profits might fall below 1991 levels, Philips said.

The company blamed the downturn on the depressed state of the consumer electronics market, which accounts for almost half its annual turnover of Fl 57bn ($32bn).

"While we are maintaining market share in our consumer electronics and components divisions, price erosion and underutilisation of capacity have caused lower-than-anticipated results," the company said.

Philips, which had seemed to be making steady progress in bolstering flagging profitability, said its other main businesses, such as lighting and professional products, were performing better than forecast.

These improvements, however, could not compensate for the disappointing trend in consumer electronics.

Although it had been clear for some time that Philips and its Japanese competitors faced difficulties, the Dutch company's profit warning took the stock market by surprise. Philips' shares dropped 17.6 per cent to end the day at Fl 31.30, against Tuesday's close of Fl 38.00.

The company is due to release second-quarter figures on August 6. When it published first-quarter figures last month, Philips said its consumer electronics business had swung into an operating loss of "less than Fl 100m" from profits of around Fl 100m the year before. This reflected a 5 per cent drop in selling prices.

The company said the crisis in the consumer electronics industry had deepened during the second quarter. It could not say when recovery might begin.

"Should the present trend in this market segment continue in the second half of 1992, it is unlikely that a net profit from normal business operations equal to that of 1991 will be realised," the company said.

In 1991, Philips posted net profits before extraordinary items of Fl 981m, a reversal of the previous year's loss of Fl 4.5bn, mainly because of extensive restructuring provisions. Until now, it had been forecasting a "limited increase" in 1992 net profit from normal business operations.

Philips, Europe's largest producer of consumer electronics, has described the current price wars in compact disc players, videocassette recorders and other consumer electronic products as unprecedented.

Besides facing falling prices for existing products, the heavily indebted company is also making substantial investments in the development of products for the 1990s, such as the digital compact cassette and high-definition television.

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Agreement on Prague government

RIVAL Czech and Slovak leaders reached basic agreement yesterday on forming a new government, but remained deadlocked on how to prevent Czechoslovakia splitting apart, Reuter reports from Prague.

"The short-term goal is to assure the functioning of the federal government as soon as possible, and we've agreed on its basic structure," said Mr Vaclav Klaus, finance minister, after talks with Mr Vladimir Meciar, the Slovak leader.

Neither Mr Klaus nor Mr Meciar, head of the Movement for a Democratic Slovakia (HZDS), which wants to transform Czechoslovakia into a loose confederation of two sovereign republics, named ministers in the new government.

But Mr Klaus, chairman of the Civic Democratic Party, said he would stand for the post of premier of the Czech republic, rather than become federal prime minister. "We do not put much faith in the functioning nature of the state we are now constructing," he said.

Mr Meciar said the new government had to function as a confederal body, with most powers residing in the two individual republics, which he wants to have their own independent international status.

Amato asked to form government after Craxi steps aside

Italy ends crisis over PM

By Robert Graham in Rome

PRESIDENT Oscar Luigi Scalfaro last night announced that he would formally invite Mr Giuliano Amato, a former Socialist finance minister, to be the 51st Italian prime minister since the war.

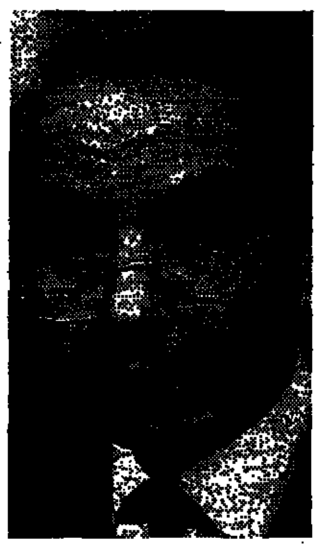
A seemingly impossible deadlock over the choice of a new prime minister following the April 5 election was unblocked yesterday morning when Mr Bettino Craxi, the Socialist leader, agreed to withdraw his candidature for the premiership.

In stepping down, Mr Craxi proposed three fellow Socialists who were considered more likely to gain the support of possible coalition partners.

Mr Amato, a law professor and highly respected in parliament as a senior member of the Socialist Party, was from the outset the most likely candidate once Mr Craxi withdrew.

Mr Amato is in charge of a special party commission looking into the Milan municipal corruption scandal.

Though using guarded language, Mr Scalfaro made it clear that the next prime minister would need to reflect the reality of the large protest vote against the coalition of Christian Democrats, Socialists, Social Democrats and Liberals in the April 5 election.



Amato: summoned to presidential palace

Bettino Craxi: tainted by corruption scandal

The candidate also had to reflect the need for clean government in the wake of the corruption scandals.

President Scalfaro is also anxious to see a slimmed down government and the likely emphasis will be on technical competence rather than party loyalty.

This effectively excluded Mr Craxi, who based his election campaign on a renewal of the four-party coalition and whose image has been damaged by his links to party members involved in the Milan scandal.

It was not clear whether Mr Craxi decided to stand down on his own initiative or was persuaded to do so by Mr Scalfaro.

Mr Craxi, prime minister from 1983 to 1987, had assumed before the elections he would get the job, backed by the Christian Democrats.

Until now he has insisted on being the Socialists' candidate for the premiership despite growing dissent within the party and lukewarm support from the Christian Democrats.

His insistence also blocked much-needed support from the small Republican party or the former communist Party of the Democratic Left (PDS).

The immediate Christian Democrat reaction was favourable. The party has recognised that, with one of their number newly elected as president, a likely balance was a Socialist prime minister.

Equally important, the PDS appeared willing to back a Socialist prime minister and shifted the emphasis to the nature of the next government's programme.

● A prominent Socialist in northern Italy Renato Amorese, killed himself after going to see authorities investigating a major city hall corruption scandal in Milan, police said yesterday.

Milan stock market recovers, Page 46

EC agrees shipyard aid for east Germany

By Andrew Hill in Luxembourg and Leslie Colitt in Berlin

EC industry ministers last night agreed controversial European Commission proposals to cut capacity in the ailing east German shipbuilding industry by 40 per cent.

The deal will be backed by safeguards to prevent the rest of the EC industry being undercut by subsidised east German competitors. The agreement should allow the Treuhand to sell off some yards to private companies.

The restructuring programme, which began after German unification, will eventually have cost 25,000 shipbuilding jobs in east Germany.

Under the Commission plans, Bonn can provide operating aid up to 36 per cent of the yards' estimated turnover after restructuring.

The exact amount of aid will be adjusted for each yard according to a complex formula. Subsidies have to be paid before the end of 1993, in exchange for drastic cuts in capacity by 1995.

French, Spanish and Italian ministers had been pressing for capacity cuts of as much as 57 per cent. They held out for assurances that the aid level would be strictly observed and supported by safeguards for their own shipyards, which are subject to a general EC ceiling on production aid of 9 per cent.

The future of the east German shipyards is a highly sensitive political issue in Germany. Yesterday's meeting of ministers in Luxembourg was lobbied by shop stewards of the German yards and mayors of ports of the region of Mecklenburg-Verpommern, where shipbuilding accounts for 40 per cent of industrial employment.

Only yards which opened before October 1990 will be eligible for the subsidies.

The Commission plan has to be approved by the European Parliament.

The EC decision came as forecasts for early recovery of the East German economy were abandoned.

The German government and some economists had predicted a recovery beginning this summer, but the Federation of Berlin and Brandenburg Employers (UVB) said yesterday that reports from companies showed it was still far off.

In one of the most sombre assessments yet of east Germany's prospects, Mr Hartmann Kleiner, head of the UVB, said he expected that by next year only 15 per cent of nearly 4m industrial workers in east Germany in 1990 would still have jobs.

Many of the former workers were in government-sponsored job creation programmes which Mr Kleiner, in common with other critics, said only served to finance consumption and not investments.

The gloom was deepened yesterday when Bouygues, a French construction and media company, withdrew a bid to buy east Germany's Elbo construction group.

The planned DM13bn move of the German parliament and main government offices from Bonn to Berlin will be delayed, a Bundestag commission confirmed yesterday, writes Christopher Parkes in Bonn.

It was not possible to meet the 1996 deadline set a year ago, the commission said in an interim report.

One important factor was that the results of an architectural competition for the refurbishment and extension of the Reichstag, centrepiece of the project, would not be known until next year.

UK urges military role for the WEU

By Robert Mauthner, Diplomatic Editor

BRITAIN called yesterday for the nine-nation Western European Union to be given a genuine military capacity, in line with last year's Maastricht agreement that the WEU should be the vehicle for developing European defence.

Mr Malcolm Rifkind, the British defence secretary, said in an article ahead of tomorrow's meeting of WEU foreign and defence ministers outside Bonn that all members should make available a wide range of their Nato and national assets for use by the WEU.

Such an approach had the advantage of avoiding the creation of separate standing forces, which no member state could afford. It also meant that the WEU would have a variety of forces to deal with a variety of possible needs, from humanitarian to peace-keeping work. Moreover, it would help to ensure that what was done in the WEU enhanced and did not duplicate what was done in Nato.

The WEU needed, in particular, to identify which forces would be available for use by the organisation. Britain had suggested that European multinational formations such as the plan for a joint Dutch-Belgian-German-British Nato division, or the UK/Netherlands Amphibious Force, or the Franco-German corps, could be put at the disposal of the WEU.

However, in a thinly disguised reference to the Franco-German corps, Mr Rifkind warned that there could be no question of a European country or countries having permanent command of WEU forces. "As in other areas of European construction, we will have to share command and headquarters roles."

Building work in W Europe falling

By Andrew Taylor, Construction Correspondent

CONSTRUCTION across a recession-hit western Europe is likely to fall by about 3 per cent this year with only a slight improvement expected next year, judging by forecasts from 13 countries published yesterday in Helsinki.

The forecasts compiled by Euro-Construct say the biggest falls are expected in housing and private sector commercial property development.

These markets have been hit by a combination of sluggish economic growth and high interest rates which have deterred purchasers from buying properties.

Worst affected have been Scandinavia and Britain, where the collapse of property markets has been greatest.

In Germany rebuilding the former communist-controlled eastern part of the country is placing an increasing strain on investment elsewhere in the economy.

The value of construction output in constant prices is expected to rise by only 1.5 per cent this year and 1 per cent next year. This compares with annual growth in German construction output of between 4 per cent and 5 per cent in the three years 1989 to 1991.

Construction output in Spain, which rose by 13 per cent in 1989 and 9 per cent in 1990, is likely to grow by only 1 per cent this year as large building programmes for the Barcelona Olympics and the world Trade Fair in Seville have been completed.

Building and civil engineering activity in France and Italy is expected to either dip or remain static.

Forecasts available from Euro-Construct, Millbank Tower, Room 1214, Millbank, London SW1P 4QX, £250.

FT survey: European building and construction, Pages 29-33

Russia attempts to export unemployed

By John Lloyd in Moscow

RUSSIA is asking other countries to allow in Russian "guest workers" to relieve the pressure of unemployment and earn hard currency.

A Russian minister said the "traditional labour-accepting countries" of Australia, Canada and the US had been approached to take quotas of Russian workers.

The German embassy said that two programmes – one allowing a maximum of 11,000 Russian workers to come in under contracts with Russian companies working in Germany, and the other allowing 2,000 to work for 18 months to acquire skills – were expected to be signed next month. There was no intention, however, of signing further agreements.

The frank admission by Mr Igor Khalevinsky, a deputy labour minister, that Russia was actively seeking to export labour to richer states, after decades of refusing exit visas, points to growing concern over unemployment.

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MAASTRICHT ● Germans at odds ● French make progress ● Danes mark time ● Irish vote

Kohl tries to hold line on treaty

By Quentin Peel in Bonn

THE GERMAN government and opposition yesterday tried and failed to forge a common line on the ratification of the Maastricht treaty on European union, as Chancellor Helmut Kohl insisted that the document could not be renegotiated.

In an important parliamentary debate intended to stem the growing tide of public doubt over European integration, the opposition Social Democrats (SPD) served notice that their approval of the treaty – essential for ratification – was subject to tough preconditions.

At the same time, the minority Greens called for a national referendum before ratification, a demand which is supported by some key members of the SPD, and a by clear majority in recent opinion polls.

Speaker after speaker reminded the German chancellor of the growing public "Euro-scepticism", and fears for the disappearance of the D-Mark in a future European currency. They feared German voters were suffering from the same basic mistrust of political leaders which caused a majority of Danish voters to reject the Maastricht treaty in their national referendum.

"The policy of European union, which for decades has been taken for granted, and was in danger of becoming merely boring, is suddenly facing criticism which is rapidly gaining ground, and appears to be ever more fundamental," said Mr Günter Verheugen, deputy foreign affairs spokesman for the SPD.

"The public was not prepared for European union," he said. "The details of its contents, and above all the introduction of a common European currency, came as a big shock," he said.

The same message came from all sides of the house. While they accepted that the treaty could not easily be renegotiated, several speakers said that it should somehow be improved, or added to, or corrected with a second full-scale treaty.

Mr Kohl himself was adamant, seeking to head off the doubts by going over to the offensive. He rejected any hint of renegotiation, and gave a grim warning of the dangers of rising nationalism in western Europe, parallel to the trends in the east.

He warned that fears of the past, and memories of the misdeeds of the Nazi regime, were still alive in other European countries. There was no reasonable alternative for Germany than to seek irreversible integration in a united Europe.

"In western Europe (as in the east) we are not proof against the temptation of slipping back into nationalistic thinking," he warned. "Only with a determined commitment to European union can we avoid a relapse into the destructive nationalism of the past."

Mr Hans-Ulrich Klose, parliamentary leader of the SPD, agreed that Germany could not and would not be the country to block the Maastricht treaty. But he also insisted that Germany must not enter the final phase of European monetary union without a fully fledged parliamentary decision to do so.

That was a formal precondition for SPD support for ratification.

An acceptable deal must also be done with the 16 German Länder on their future involvement in EC decision-making, the SPD said. The political parties were largely agreed, but the government was delaying a deal, Mr Verheugen said.

That is where the real stumbling block to German ratification remains.

A poster in Dublin arguing for a Yes vote in today's referendum in Ireland on the Maastricht treaty is hijacked by a No – presumably a non-driver. The overall debility of the Yes campaign, in contrast to the vitality of the treaty's opponents, together with a large number of floating voters, have created considerable uncertainty about the outcome.

Denmark waits on its partners

By Hilary Barnes in Copenhagen

THE DANISH government has confirmed that it will make no proposals to resolve the political crisis surrounding the Maastricht treaty until its 11 European Community partners have completed the ratification process.

This means that there will be no move on Denmark's part until the end of 1992, and possibly not until next year, according to Mr Anders Fogh Rasmussen, Denmark's economy minister.

He admitted that the Danish government could not sign the treaty as it stood because of the No vote in the recent referendum. But he pointed out that the treaty would not be valid until the 11 – assuming they all ratify the treaty – ask the Danish government to sign the document.

It was only when this question was put to the Danes, and the Danish prime minister declined to uncap the ceremonial fountain pen, that the treaty would be invalidated.

Mr Rasmussen predicted that the other 11 member countries would not put the crucial question to Denmark, which takes over presidency of the European Council next January 1. He added that Denmark would use the interim period to try to work out a solution acceptable to both the 11 and itself.

Vote brings ratification nearer in France

By Ian Davidson in Paris

FRANCE cleared another hurdle on the road to Maastricht in the early hours of yesterday morning when the senate approved changes in the French constitution required for ratification of the treaty.

Virtually all the Socialist, centrist and centre-right UDF members voted for the revision, which was mainly opposed by the Gaullists and the Communists.

The one technical hitch is that the senate introduced detailed amendments to the text passed by the national assembly. Since the constitution can only be revised on the basis of identical texts, the senate version will go back to the assembly today for a new vote.

However, the size of the senate majority (192 in favour and 117 against) strengthens expectations that the government should be able to complete the constitutional revision in its final parliamentary phase, a special congress of the national assembly and the senate, in the palace of Versailles, probably on June 29.

A three-fifths majority will be required at that meeting. This seems entirely feasible, since the separate votes in the two houses of parliament add up to a majority of just over 66 per cent. However, should the congress fail, the government will submit the Maastricht treaty for ratification in a popular referendum in the autumn.

Polls continue to suggest that the treaty would be approved in a referendum – a Sofres survey shows 59 per cent in favour, 41 per cent against. Mr Raymond Barre, a leading centrist and a former prime minister, has predicted a 55-60 per cent vote in favour.

Curiously, the deep disagreements over Europe within the ranks of the conservative opposition parties, appear not to have dented their general popularity.

This paradox is most acute in the case of Mr Jacques Chirac, leader of the RPR Gaullist party. The Gaullists are deeply divided over Maastricht; and Mr Chirac has announced that he will not take any position on the issue, until he can see his way more clearly. Yet he continues to stand head and shoulders above all other conservative leaders in the opinion polls, as the most popular and most plausible candidate in a presidential election.

If Ireland coughs, the rest of the EC is in for a prolonged cold

David Buchan in Brussels examines the options for the Community should the Irish electorate vote down the Maastricht treaty in today's referendum

IRELAND, as its prime minister, Mr Albert Reynolds, rightly said this week, has the eyes of Europe, and many other countries, on it today.

If its referendum produces a majority, however slim, in favour of the Maastricht treaty, the treaty lives on – at least for a while.

But, if Irish voters follow the Danes in rejecting Maastricht, even by a few thousand votes, the pact for European political and monetary union will die – at least in its present form.

Then, a second set of options would open up for European Community: settle for the current Treaty of Rome, try to renegotiate Maastricht, or let some EC states move ahead of the rest to form an inner core of tighter integration.

But there is no agreed contingency plan to deal with a second No, any more than there was to deal with the first No. Denmark's 11 partners did move speedily, after the vote on June 2, to affirm their intention to pursue ratification of Maastricht, regardless.

In the event of a second No, there will be no such speed or unity.

On a very technical level, the Brussels lawyers still argue, Irish rejection would not kill Maastricht. EC constitutional revisions must be ratified in all member states, under the Rome treaty's terms. But there is no set time limit.

EC leaders expressed the hope that Maastricht would be ratified this year. Yet, the treaty itself only stipulates that it would enter into force on the first day of the first month after the last member state ratified it. This, theoretically, gives parliaments and peoples an open-ended period in which to reverse any rejection.

But real life in the Community is not like that, of course.

An Irish No today would almost certainly lead to rejection in neighbouring Britain, where Mr John Major, the prime minister, already has an anti-Maastricht revolt on his back-benches, and prevent the Danes from changing their minds.

Devising a special half-in, half-out status for Denmark is, or would be, bad enough; creating such arrangement for two other countries as well would be a nightmare.

The French and German governments might try to plug on with ratifying an unchanged Maastricht treaty, as Chancellor Helmut Kohl indicated yesterday. But both he and President François Mitterrand (for whom an Irish No would vastly increase his risk in holding an autumn plebiscite on Maastricht) would first have to sell to their publics the idea of a two-speed Europe.

Returning to an inner integrationist core of, perhaps, the original six members of the Community – Germany, France, Italy and Benelux – might in fact strike a popular chord among French, maybe even among Germans.

Yet, for Paris and Bonn simply to decide to forge ahead with a smaller club of "Maastricht-ers" would raise the question of how the Community is to relate to the wider Europe.

For, also riding on today's vote in Ireland is the issue of enlargement, whose institutional implications the Commission was wrangling with again yesterday.

One thing is now sure. The EC executive will be now be far more modest than it had planned in its report to next week's Lisbon summit about the institutional consequences of enlargement.

Reports and misreports that Mr Jacques Delors, the Commission president, was planning an all-powerful executive in Brussels to run a more numerous Community boomeranged in the Danish referendum.

But before entry negotiations can start with any of the seven countries which have now applied for EC membership, the applicants clearly need to know, or be told, what they are joining.

The Maastricht commitment to a European union is the only current basis on which Brussels can start preparing to open negotiations with at least Austria, Sweden, Finland and Switzerland early next year.

If Irish voters give Maastricht a fresh lease of life today, but ratification by other EC states drags on into 1993, it may still be impossible to start enlargement negotiations on time.

"We couldn't start this with Maastricht unratified and our negotiating flank exposed," a senior Commission official said this week. "We would find applicant countries picking and choosing what they liked, and didn't like, out of Maastricht."

Laying the ground for enlargement talks early next year is a high, perhaps the highest, priority of Britain's EC presidency in the second half of this year.

If Irish voters were to vote Maastricht down today, finding any other basis on which to negotiate enlargement would be very tricky and time-consuming. That helps explain why the British government, which might otherwise hope to renegotiate a less federalist version of Maastricht, sees merit in sticking to the original.

Britain aims to clear way for talks with EC applicants

By Richard Evans

BRITAIN'S AIM during its six-month presidency of the European Community which begins on July 1 is to complete preparatory stages so that negotiations with the next group of EC applicants can begin, Mr John Major, the UK prime minister, says in the foreword to the presidency programme published yesterday.

He argues that the EC must not be an exclusive club. "We want to extend the benefits of membership to our fellow Europeans who share our values of democracy and human rights, who have already well-established market economies and who are ready to take on the obligations."

While appearing to warn against unrealistic expectations, Mr Major sees the half-year presidency as "an opportunity for Britain to help shape the future of Europe at a time of great change".

The programme was unveiled in Edinburgh by Mr Ian Lang, Scottish secretary, who said the main priority would be to run a "business-like and efficient" presidency which would also show Britain's willingness to take its place at the heart of Europe.

Out of 79 events being staged in the UK during the six months, 25 will be held in Scotland, culminating in the EC heads of government summit in Edinburgh on December 11-12. Only a handful of events will take place in Wales and Northern Ireland, giving substance to the view that Mr Major is anxious to foster a greater sense of UK unity within Scotland following recent calls for independence.

As well as the Edinburgh summit, a conference on rural development takes place in Inverness next month, and EC environment ministers meet at Gleneagles in September, when EC ambassadors also visit Scotland. Other dates include a meeting of transport ministers in Hertfordshire in July, finance ministers in Bath in September, and agriculture ministers in Cambridge also in September.

London is to host meetings of housing, justice and immigration ministers in November and December, and apart from the EC-Japan meeting on July 4, other summits may be staged between the EC and "outside" states such as the US or Canada.

China warns against more HK democracy

By Simon Holberton in Hong Kong

JIANG ZEMIN, secretary general of the Chinese Communist party, yesterday ensured Mr Chris Patten, Hong Kong's governor designate, a bumpy introduction to the colony when he warned *against* any interference with the smooth transfer of sovereignty to China.

His comments come as Britain is under pressure from liberals in the colony to press China to allow an increase in

Jiang: hard talks to come

the number of elected seats in *the Legislative Council*. Britain's agreement with China does not allow the introduction of a fully democratic system.

Jiang's intervention, taken with the difficulties over the financing of the colony's multi-billion dollar airport project, marks a significant raising of the diplomatic temperature between Beijing, Hong Kong and London.

*The impasse over the air*port's financing is beginning to affect share prices in Hong Kong. *Confidence* in Hong Kong is more than usually fragile and brokers said that although they thought the project would proceed, the delay was starting to take its toll on sentiment.

Mr Alan Lee, a member of the Executive Council, the colonial cabinet, met *Jiang* yesterday with 19 of his conservative supporters, who like *China*, want a smooth handover in 1997. Afterwards Mr Lee quoted the Chinese leader as saying "there should not be chaos but a smooth transfer of sovereignty with a stable political system" in the colony.

By raising the issue of Hong Kong's politics at Jiang's level the Chinese are indicating to *London that it will face some* hard talks on the issue of local democracy. Britain has said it will take up with the Chinese the question of more elected seats in the Legislative Council for the 1995 elections, and is expected to do so around the turn of the year.

But it is far from clear if Mr *Patten will have the whole* community behind him when he raises the issue. As Mr Lee's visit to Beijing underlines, such a move is losing support among conservative political interests in the colony.

Mr Lee, who is also an unelected member of the legislature, has virtually broken with the *British* government over its promise to approach China about increasing the number of *elected* seats.

In London Baroness Dunn, the senior non-official Executive Council member, indicated her disapproval with UK policy when she told a House of Lords debate on Hong Kong yesterday that talk of more seats "revives uncertainty, tension and discord in our community."

● The Hong Kong branch of Beijing's Bank of China (BoC) *is scheduled to issue* Hong Kong dollar bank notes in 1994, three years before the British colony returns to China, a pro-Beijing newspaper reported yesterday, Reuter adds.

Community to resume Lebanese aid

By Lara Marlowe in Beirut

A EUROPEAN Community team will visit Beirut next week to co-ordinate resumption of economic co-operation with Lebanon, after the *last* two western hostages left the country yesterday.

Lebanese officials hope the end of the hostage crisis after the liberation of Mr Heinrich *Strübig and Mr Thomas* Kemptner, two German aid workers, will encourage a *return of western investors*.

The EC is unfreezing Ecu166m (£117m) in financial aid, comprising Ecu41m in grants, Ecu3m in risk capital and Ecu122m in loans from the European Investment *Bank*. Mr David Tatham, the British ambassador in Lebanon, confirmed there would be no more delays in *European* assistance to the Beirut government, which is suffering *from a severe economic crisis* made worse by shortfalls in expected reconstruction aid.

Mr Tatham said European-financed projects were being drawn up with Mr Fadel Shallak, the president of the government's *Council for Reconstruction* and Development. Mr Shallak has also begun *negotiations with World Bank* officials in Washington.

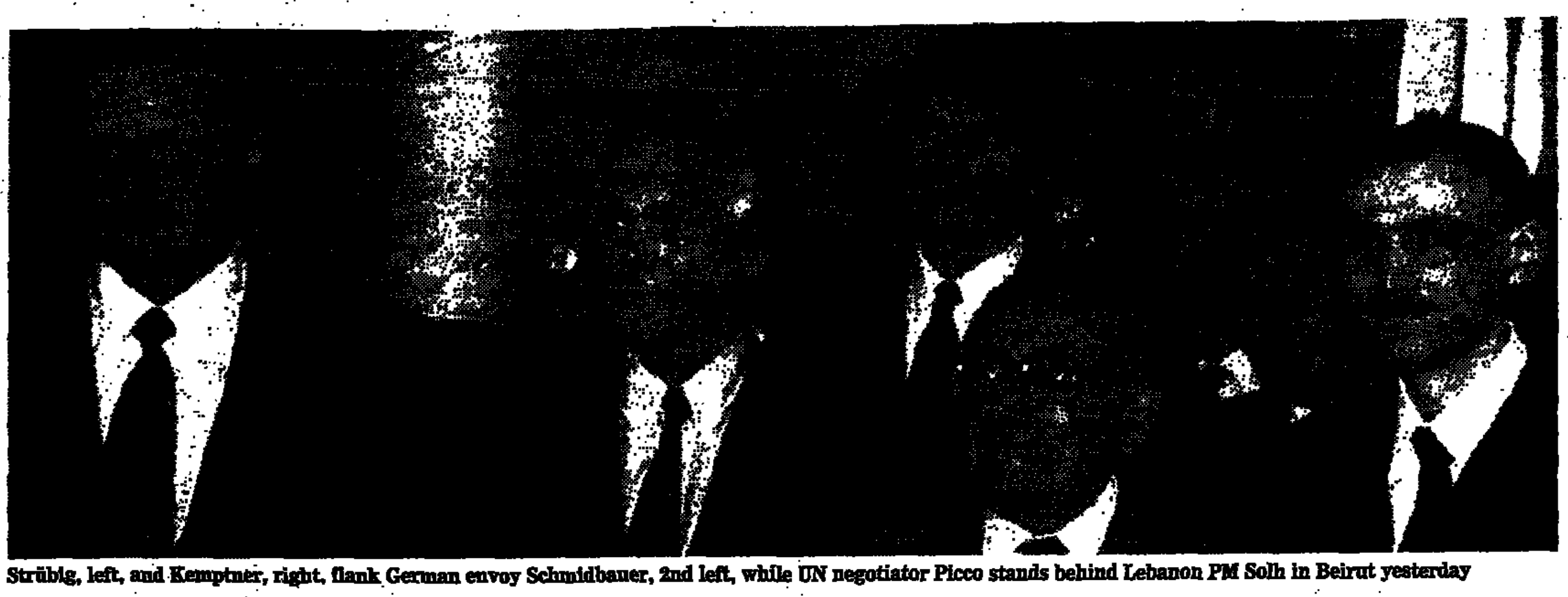
After three years' captivity, *Mr Strübig and Mr Kemptner* were handed over yesterday to Mr Bernd Schmidbauer, a special German envoy. In the office of Mr Rashid Solh, Lebanese prime minister. It was the first time western hostages were *freed under the auspices* of the Lebanese rather than the Syrian government.

"The release of the German hostages closes the dark chapter of hostage-taking in Leba*non forever*," said Mr Solh.

Mr Giandomenico Picco, the United Nations envoy principally responsible for their liberation, said that contrary to earlier press reports, the two Germans had been held by their kidnappers until yesterday morning.

The "Holy Warriors for Freedom" led by Mr Abdul-Hadi Hamadi, an official of the pro-Iranian Shia Moslem Hizbollah movement, fulfilled their promise to liberate their captives within 48 hours of a statement issued on Monday.

Christopher Parkes adds from Bonn: The release clears the way for a visit to Germany by Mr Ali Akbar Velayati, Iran's foreign minister. Mr Dieter Vogel, the Bonn government spokesman, said economic links had already much improved in the past year.



Strübig, left, and Kemptner, right, flank German envoy Schmidbauer, 2nd left, while UN negotiator Picco stands behind Lebanon PM Solh in Beirut yesterday

It's not over yet, says hostage negotiator

Lara Marlowe reports from Beirut

A TALL Italian diplomat, visibly fatigued by his efforts of the last 36 *hours, stood* behind Mr *Heinrich* Strübig and Mr Thomas Kemptner as they were freed in Beirut yesterday.

In just one year, United Nations envoy Mr Giandomenico Picco has obtained the liberation of 11 Britons, Americans and Germans in Lebanon, as well as the freeing last autumn of 90 Lebanese held by the Israelis and their militia allies.

As he accompanied the two German aid workers in Beirut yesterday, Mr Picco stressed that his work was not yet *completed. He has committed himself* to working for the freedom of all people held without due process of law in the Middle East.

These include some 200 Lebanese held by Israel's proxy militia, the South Lebanon Army (SLA), at Khiam prison in southern Lebanon; 30 others, mostly Lebanese, held inside Israel; four Israelis still missing in Lebanon; and at least eight SLA militiamen.

Lebanese hostages in Israel include *Sheikh Abdul-Karim Obeid*, kidnapped from his home by Israeli troops in 1989. Of the missing Israelis, only airman *Ron Arad is believed still to be alive.* Mr Picco is also attempting to achieve the return of the remains of hostages who died in captivity.

Mr Picco's success to date can be attributed to great personal courage, his respect of the kidnappers' demands for security and anonymity, and a per*haps utopian belief that his interlocu*tors will see that "violence against the individual does not work."

This week, Mr Picco repeatedly met the kidnappers of the two German hostages to resolve last-minute hitches in their release. He is accustomed to working alone and behind the scenes, and the presence of a German delegation in Beirut with constant media coverage made his task more difficult.

"They (the kidnappers) come out more credible, because they have been part *of negotiations in which they have* kept their word," he said. "They can join in politics. If it can be proven that things can be done through negotiations, then the appeal of violence will diminish."

Mr Picco's efforts over the past year built a fragile chain that was in danger *of breaking if any one party* failed to keep its word. Amazingly, he has been able to persuade Lebanese kidnappers to free their hostages without fulfilment of their demands.

The morning after American hostage Mr Terry Anderson was released in December, Mr Picco flew to Bonn to meet the German foreign and justice ministers regarding Mr Strübig and Mr Kemptner. His words then – and again yesterday in Beirut – were: "It's not over yet."

He added: "This began not as a story about just 10 or 11 westerners, but about several hundred people. It is a serious moral and political commitment. There are a lot of things left to do."

Kashmir solution 'must get priority'

By Alexander Nicoll, Asia Editor

MR NAWAZ SHARIF, prime minister of Pakistan, last week had a "heart-to-heart" talk with his Indian counterpart, Mr P.V. Narasimha Rao. He says he told Mr Rao that by spending large proportions of their budgets on defence, they were depriving their people of basic rights.

During a visit to Britain following the Earth Summit in Rio de Janeiro – where he met Mr Rao – Mr Sharif made clear *in an interview that* solution of the problem of Kashmir, the disputed territory which is the cause of heavy defence spending and two wars with India, carries the highest priority.

A cut in arms spending, which takes up nearly a third of Pakistan's budget, would free resources for development *and help to support* Mr Sharif's radical economic reforms. It would help India, which is *attempting similar changes* to its economy, in the same way.

Mr Sharif has opened up the economy and begun a dialogue with India. But he remains beset by domestic political opposition, and by unrest which has prompted a *military* crackdown on violent crime in the southern province of *Sindh*.

Gunmen have killed Mr Nazir *Ahmed Siddique*, the Kashmir carpet dealer who negotiated the release of several prominent hostages seized by militants fighting the Indian government, Reuter reports from Srinagar. No one immediately admitted responsibility.

Pakistan is deprived of US aid because of its nuclear programme and has proposed a five-nation conference – the US, Russia, China, India and Pakistan – to discuss non-proliferation of nuclear weapons in the region. India has refused to participate.

Mr Sharif said, however, that "the nuclear problem will only be solved when Kashmir is solved...even if we solve the nuclear issue, the tensions will not be resolved."

Though Pakistani officials *made clear* that there was no attempt to impose conditions by linking the issues, Mr Sharif said the need to have a large defence capability arose precisely because of the Kashmir problem.

He said he drew Mr Rao's attention to atrocities being committed by the Indian military in Indian-held Kashmir. "The worst kind of violation of human rights is being allowed to go on," Mr Sharif said.

This was their fourth meeting, and though it underlined *the quiet improvement in their* relations, it also followed an escalation of tension this year. Pakistan was forced to halt two attempts by Kashmiris to cross over into Indian-held Kashmir, and last month there was a round of expulsions of diplomats.

If progress on Kashmir seems blocked, Mr Sharif's achievements on the economic front are significant. Most *exchange controls* have gone, the budget deficit has been cut, a liberal foreign investment law has been enacted, some regulations have been removed and subsidies reduced.

A total of 54 industrial companies have been privatised as well as a number of banks, and the aim is to privatise airlines, ports, shipping and telecommunications. Mr Sharif says he hopes to make the rupee convertible during his tenure. About $1bn (£540m) has flowed into foreign exchange accounts in Pakistan, mostly from Pakistanis living abroad.

Mr Sharif will tomorrow address a London conference designed to attract investment to Pakistan. Foreign investors and lenders, however, have been put off by the uncertain political situation and by moves towards an "Islamised" economy, in which *the concept* of interest is outlawed.

Partly because of international implications, the government has appealed against a Shariat Court ruling that all transactions must be conducted according to Islamic principles by June 30. The appeal will not be heard until later in the year, thereby postponing that deadline.

Mr Sartaj Aziz, finance minister, says that 70 per cent of transactions are now carried out on Islamic principles. Some Islamic scholars contend, however, that the new accounts do not satisfy the principles. Mr *Sharif*, apparently wishing to defuse the issue without losing political support, says: "All *Islamic* scholars agree that these are complex issues and will take time. We need time to examine the *implications*."

Indian central bank asks ANZ for Rs4bn

By R C Murthy in Bombay and Richard Waters in London

ANZ Grindlays, the Australian-owned bank, has been ordered by India's central bank to pay Rs4bn (£77m) in the wake of the Bombay securities scandal.

If it refuses to pay, ANZ risks losing its banking licence in India, where it is one of the longest established foreign banks, with 56 branches and post-tax profits of Rs350m last year.

The Reserve Bank of India's demand was made by Mr R. *Janakiraman, deputy governor*, at a meeting in Bombay last night with Mr Bob Edgar, chief executive of ANZ Grindlays.

The order follows a protracted dispute between the two sides over whether ANZ has any liability to repay Rs4bn to the National Housing Bank, itself a subsidiary of the Reserve Bank.

The NHB paid the money to ANZ with a series of cheques made out in ANZ's name. The foreign bank paid the money into the current account of Mr Harshad Mehta, a broker who *has since been charged* with fraud, even though it did not have a specific instruction from NHB to do so. Mr Mehta used the money to pay debts to the State Bank of India.

ANZ claims that it was acting in line with normal market practice in the interbank securities market, and that all banks credited brokers accounts in this way.

Pressure on ANZ has been increased by State Bank of India's decision to repay Rs7bn to NHB on Tuesday. That money – not connected with *the Rs4bn it had received* through ANZ – had also been credited to Mr Mehta's account without the NHB's explicit authorisation.

The Reserve Bank has put pressure on ANZ in recent weeks to provide against the possibility that it would have to repay the money to NHB. In response, ANZ said it had set aside the funds in case it had to repay the money – though it did not accept liability or say whether it had actually set up a provision in its accounts.

Thais lower growth expectations

By Peter Ungphakorn in Bangkok

THE FALLOUT from the bloodshed in Thailand last month could slow the country's growth rate for the year to between 6.5 and 7.4 per cent, according to estimates released yesterday by two forecasting agencies.

The figures are the first systematic attempts to measure the impact of the troubles on one of the world's *fastest* growing economies.

The more optimistic figure of 7.4 per cent came from the *National Economic and Social* Development Board (NESDB), the government's planning agency. The independent Thailand Development Research Institute (TDRI) predicted growth would slow to 6.5 per cent.

Both had earlier predicted growth at close to 8 per cent for this year. Their figures would have been worse if the discord between the military *and the parties that supported* it on the one hand, and the civilian opposition on the other, had not been eased by the appointment of Mr Anand Panyarachun as a neutral prime minister last week.

The main difference between the two institutes is the assessment of the decline of tourism, a principal foreign exchange earner. TDRI believes Thailand could lose almost 29bn baht (£616bn), or half a percentage point of gross domestic product this year, although a recovery is predicted for 1993. The plan*ning agency's estimate is for a* loss of between 10bn to 20bn baht.

EC plans Gaza hospital

By David Buchan in Brussels

THE European Community yesterday gave Ecu13m (£9.1m) to build the first substantial new hospital in the Gaza strip since 1967, as part of its growing and controversial Palestin*ian aid programme* in Israel's occupied territories.

The 232-bed hospital, to be built under a contract signed yesterday with the United Nations Relief and Works Agency (UNRWA), will be near Khan Younis, in the southern part of Gaza.

It is intended to help *improve what the* Brussels Commission claims are deteriorating health conditions among the territory's population of 780,000, most of them Palestinian refugees.

The EC has traditionally channelled most of its aid to the occupied territories, amounting to Ecu472m over *1971-91*, through UNRWA. But in 1987 it began its own direct aid programme. The Israeli government has allowed an EC official to supervise this, but at Jerusalem's insistence he is based in Brussels.

● The UNRWA is to give food to Palestinians in Gaza to ease suffering caused by an Israeli ban on most workers entering Israel, Reuter adds from Gaza.

Philippine winner to be proclaimed

By Jose Galang in Manila

THE proclamation of Mr Fidel Ramos as winner in the May 11 Philippine presidential election is expected to take place next Wednesday.

Mr Ramos, a former defence secretary, gained the biggest number of votes in the count completed around midnight on Tuesday by Congress. A committee is now preparing a final report to be presented to a joint session next week which will proclaim the winner.

Also to be proclaimed by *Congress is the winning candi*date for vice-president, Mr Joseph Estrada, a former member of the Senate who originally gained popularity as a film actor.

In the past few days Mr Ramos has been holding meetings with business and church leaders and with some of his *leading opponents* in the election.

Mr Ramos, who was sup*ported during the campaign* by outgoing President Corazon Aquino, ended up with more than 874,000 votes ahead of Mrs Miriam Defensor Santiago, the combative former immigration commissioner.

Members of Congress sympathetic to Mrs Santiago are expected to seek to delay next week's proclamation proceedings. Mrs Santiago has vowed to round up support among the youth in protesting at the election results.

In third place was Mr Eduardo Cojuangco, business tycoon and a well-known associate of former dictator Ferdinand Marcos. *Mr Cojuangco* trailed Mr Ramos by 1.22m votes and Mrs Santiago by *some 351,000 votes. Mr Ramos* won 5.34m votes, representing 23.6 per cent of the total number of votes counted.

Called both too strong and too weak, Ramos goes for continuity

Jose Galang on the past and future of the Philippines president-elect

AT THE start last February of his campaign for the presidency in the Philippine election, Mr Fidel *Ramos made an unannounced* two-day trip to Zurich. For several days after his return he refused to discuss it, and some of his own supporters started to think that it might have mortally wounded his bid for the nation's highest office.

There followed a wave of gossip that he had gone to Zurich to *establish links with the* Swiss banking system, well-known to Filipinos for providing sanctuary for funds being salted away by dictators, or that he was there for a Valentine's Day tryst.

The cigar-chomping former general successfully deflected the issue (in fact he had gone to woo *support for the Philip*pines from the international group of Christian Democratic *parties) and went on to win the* most hotly-contested election in the Philippines.

Mr Ramos, aged 64, will need more of that talent for turning a crisis into a victory when he assumes the presidency on June 30. Even now, the former defence chief's election win is disputed by some of the losers who insist there was massive fraud.

The Philippines does not need uncertainty at this time. Political stability, Mr Ramos acknowledges, is crucial for the new administration to sustain a nascent economic recovery from several years of coup attempts and *natural* disasters.

Mr Ramos will find many *allies in the business commu*nity. Several big names in business openly backed his campaign. This was hardly

Ramos: allies in business

surprising. In 1987 amid intense doubts over whether Mrs Corazon Aquino could last her term because of incessant attacks by rebel groups in the military and by communist *insurgents, some businessmen* were privately pushing for a Ramos-led junta to provide a tougher hand in government.

Unlike his predecessor who inherited a bankrupt republic in 1986, Mr Ramos will take over an economy that is, according to independent economists, fundamentally sound although the crippling electric power shortage is a severe handicap. It is on top of Mr Ramos's agenda in his first days in office, according to aides.

Mrs Aquino's government reined in pre-election spending despite its open support for Mr *Ramos. As of late-May*, according to Mr Jesus Estanislao, the finance secretary, the national *government had a budget sur*plus of 4.2bn pesos (£97.7m). Interest rates, already down substantially *from early-1991* highs, could decline further as a result.

Inflation, hovering at 8 per cent, is likely to stabilise at its *target of 7 per cent* for the year. The exchange rate remains steady, as international reserves remain high despite a surge in demand for dollars after the lifting of the import levy on April 30.

For Mr Ramos, stability will translate into a "continuity of policies" that the Aquino *administration adopted. This* will include adherence to an International Monetary Fund-supported economic stabilisation programme, on which the Philippines' relations with the world financial community remains hinged.

But "stability" also has a negative connotation for Mr *Ramos. During the election* campaign, his opponents interpreted his promises of stability *as a strong* hand, and warned that he really meant to impose martial law to silence critics and political opposition.

Opponents view him as another indecisive leader. As head of the paramilitary Philippine Constabulary during Mr Marcos's martial rule, Mr Ramos has been blamed for human rights violations traced to that group. The critics also recall that in the August 1987 coup attempt against Mr Aquino, it took Mr Ramos, then chief-of-staff of the armed forces, several hours to strike back. None the less, when he did, his troops snuffed out the *rebellion in hours*.

During the campaign, Mr Ramos repeatedly "guaran*teed" that he would follow the* constitution in the exercise of his powers. But he says that his "will not be a wishy-washy, flip-flopping leadership".

His 40-year experience in the military, he says, is just part of a "well-rounded" government service. The military, he says, "does not mean only pulling triggers, it is also involved in community development" that includes building roads and bridges in places that the private sector won't go because of communist insurgents.

As a member of the Aquino cabinet until mid-1991, Mr *Ramos was overseer of all gov*ernment development programmes for western Mindanao region, one of the most depressed areas in the country. His motivation for "people-oriented undertakings", he says, was sharpened by that experience. He did well in Mindanao provinces in the election.

Consensus-building, Mr Ramos also says, will be an important facet of his administration. One of his first moves will be to form a council of economic advisers, which will be composed mainly of private-sector leaders. He plans to meet with this group once a month, to help him establish priorities concerning business and the economy.

The result of Mr Ramos's trip to Zurich last February could come into play in his foreign policy thrusts. Mr Ramos appears poised to seek expanded ties with the European Community and with neighbours in Asia, as the Philippines prepares for a diversification in its external relations *after the withdrawal of US mil*itary bases.

Reports from Washington *yesterday indicated that US aid* to the Philippines would be reduced next year to a third of current amounts.

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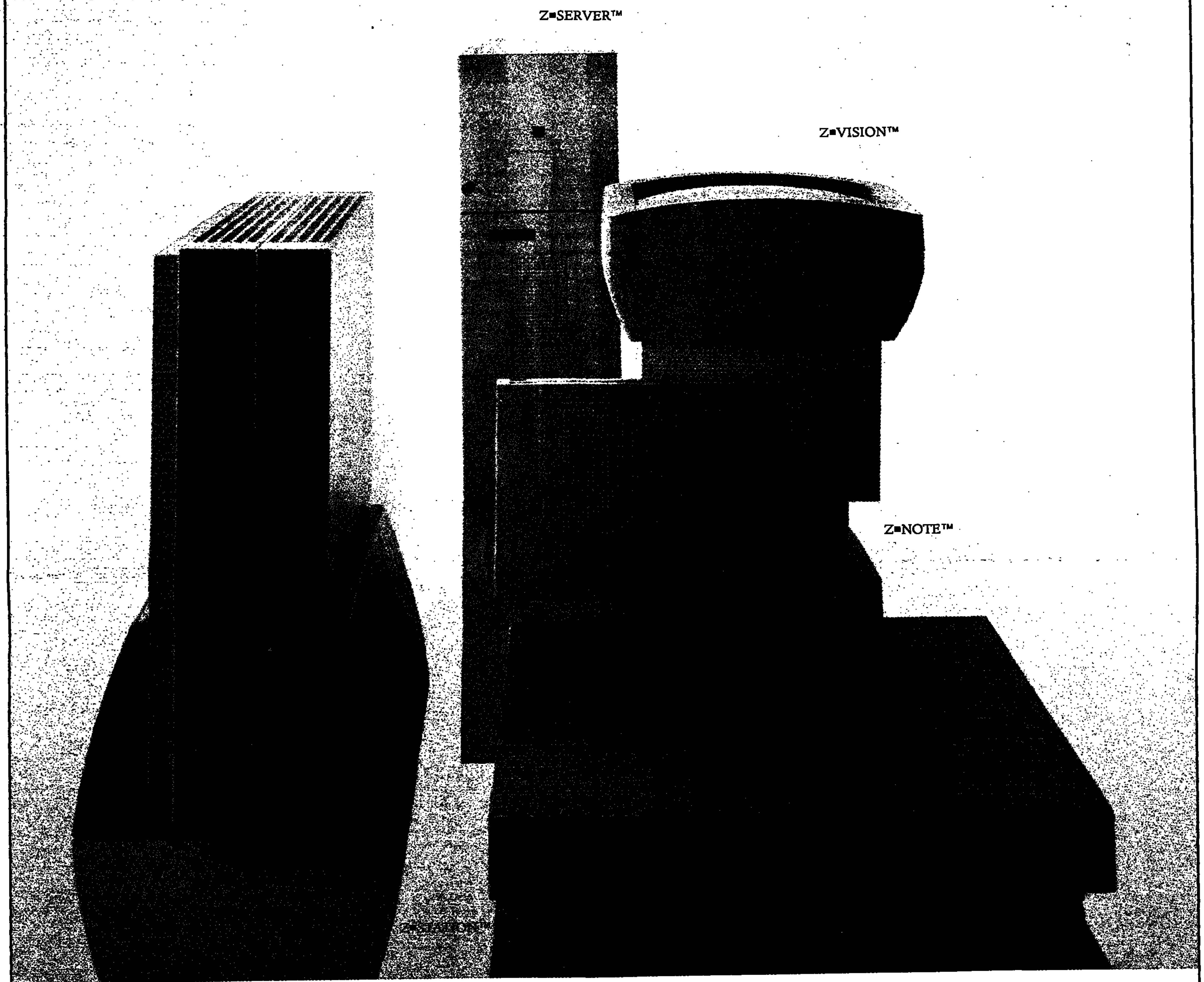

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Big Three look with glee down Mexico way

Damian Fraser and Martin Dickson report on the motor industry's enthusiasm for the free trade pact

THE Big Three US motor vehicle manufacturers – General Motors, Ford and Chrysler – view the prospect of free trade in the North American car industry with barely concealed glee.

For the proposed North American Free Trade Agreement (Nafta) will let them sell more cars to the fast-growing Mexican market, allow them to integrate their low-cost Mexican operations with those at home, and should give them a much needed competitive edge over Japanese rivals, at least in the short-to-medium term.

However, Detroit is keeping its enthusiasm in check for fear of further antagonising the United Auto Workers union, which opposes a Nafta agreement in the belief that it will mean a large loss of jobs to Mexico.

Mexican car workers are paid between $4-$5 an hour – about a fifth of wage levels in the US – and are as productive, if not more so. The Mexicans have proved themselves adept at adopting the quality manufacturing methods pioneered by Japanese car companies. Ford's plant in the northern town of Hermosillo was singled out for its efficiency in a recent Massachusetts Institute of Technology study of the motor industry worldwide.

Although final details of the Nafta vehicle agreement still have to be worked out, the accord is shaping up as generally favourable to the US industry. That is hardly surprising, since Detroit's huge existing investments in the US, Canada and Mexico mean the governments of the three countries have to weigh its demands carefully.

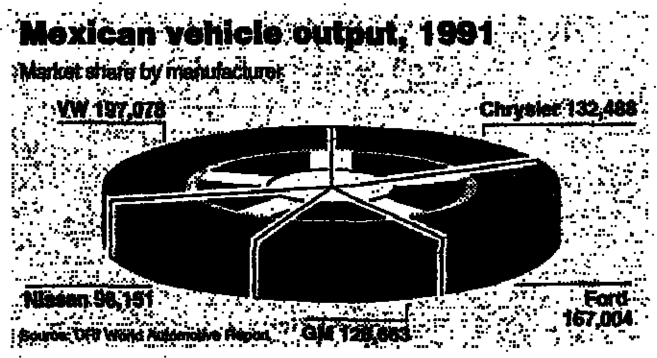
The governments also know that any Nafta agreement is going to face tough opposition in the US Congress. One that lacked the support of the car companies would stand little chance of passage.

One of Detroit's main aims has been to ensure a high level of regional content in a vehicle for it to qualify for duty-free shipment within the Nafta area. The aim is to prevent third countries, in particular Japan, from using Mexico as a cheap-labour export base in their assault on the US market.

Under the existing US-Canadian free trade agreement, 50 per cent of a vehicle has to be manufactured in North America. The US government, with the backing of the Big Three, is proposing that this be raised to

Mexican vehicle output, 1991

Market share by manufacturer



Source: DRI World Automotive Report

65 per cent under the Nafta accord.

The Mexicans and Canadians have resisted such a sharp increase, knowing that existing Japanese manufacturers would find it costly to reach these levels, while new entrants, which they do not want to scare away, would not be able do so quickly.

A compromise seems likely to be reached at around 60 per cent. However, just as important as this raw number will be the method used in the accord to calculate local content.

This is a contentious issue, underlined by recent claims from the US customs department that the Canadian subsidiary of Honda, the Japanese car company, failed to meet the 50 per cent requirement in vehicles it has been shipping from Canada to the US. In particular, the pact is expected to produce tighter rules on so-called "roll-up" – the ability of a company to count a part as 100 per cent locally made, so long as it contains no more than 49 per cent of imported components.

The only Japanese car company manufacturing in Mexico now is Nissan, which has 20 per cent of the domestic market. Its local head last year warned that a 60-70 per cent local content rule was "totally out of the question" and would lead to lower Japanese investment in Mexico.

The other significant foreign manufacturer, Volkswagen Mexico, aims to beat the Americans at their own game, and is pushing for 70 per cent Mexican (and thus North American) regional content, according to the company's Mexican sales director.

Volkswagen, which closed its US operations some years ago, is thus bringing more and more of its European suppliers to Mexico and the company plans to increase its exports of cars from Mexico to the US and Central and South America.

Besides defending their flanks against the Japanese, the American car companies want to use Nafta to grab a larger part of the Mexican domestic market through exports from their under-utilised US plants. This market is growing rapidly, with sales in 1995 likely to reach about 1m vehicles, from an expected 740,000 this year.

The Nafta agreement will liberalise Mexico's 1989 vehicle decree, which sets local content requirements for vehicles sold in the country, restricts the number of vehicles a foreign manufacturer may import, and insists that each manufacturer must export more cars from Mexico than it imports.

The accord sets a 10-year timetable for this liberalisation process.

This will help the Big Three because during this period a company which does not export from Mexico will not be allowed to import vehicles into the country.

Most analysts expect that in the long run Mexico will become a leading base for manufacturing small cars for the US market, many of which are now made in Asia.

To help the small car trade take off, the Nafta accord would treat Mexico as "North American" for purposes of the Corporate Average Fuel Economy Act (Cafe), which dates from the fuel crisis of the 1970s and discourages US manufacturers from importing small cars.

Mr Victor Barreiro, head of Ford Mexico, says: "We will have to pick the place [between the US, Canada and Mexico] where it makes sense to produce a car."

The net effect on American jobs is difficult to gauge. The loss of smaller car manufacturing in the US may be offset by increased exports of vehicles to Mexico, which is starved of choice.

Furthermore, almost half the parts used by the Big Three in their Mexican plants originate in the US, so an increase in Mexican output may help the US components industry.

On the other hand, many of the components manufacturers in the US are known to be planning expansions in Mexico. "We see good opportunities there," says Mr Larry Bossidy, chairman of Allied-Signal.

Go-ahead for $3bn Mexican roads sell-off

By Damian Fraser in Mexico City

MEXICO'S government is to go ahead with a $3bn road privatisation programme after its Congress approved changes to the transport laws earlier this week.

The government owns about 1,000km of four-lane toll roads, for which it might receive $2.6bn-2.9bn for the sale of concessions for 15-20 years.

The government will spend much of the money raised building free roads to link highways now being built by the private sector. The government has granted concessions for 3,500km of toll motorways at a cost to the private sector of around $5bn. Concessions for another 2,400km of toll roads will be granted soon.

A senior government official said Mexico was considering two mechanisms to sell the highways. It might auction off concessions in the highways to groups, of which foreigners could own 49 per cent.

The acquiring groups would probably follow the example of the private sector building new toll roads, and issuing bonds guaranteed by toll payments to finance their purchase.

Alternatively, the government might form "highway companies" that would issue bonds in the domestic and international markets, and whose interest and principal was backed by toll payments. The government would then sell shares in the highway companies.

■ The Mexican government has backed down over its threat to suspend all US Drug Enforcement Agency activity in its country made in retaliation to a decision by the US Supreme Court that the kidnapping and spiriting to the US of a Mexican murder suspect was legal.

The government said it would resume "temporarily" drug co-operation with the US so as not to give an equivocal signal to drug smugglers. The DEA never received notification that co-operation had been broken off, despite Mexico's announcement on Monday night that its activities had been suspended. The temporary "resumption" of co-operation will be made permanent once the revision of an extradition treaty is agreed, according to the Mexican foreign ministry. The US assured the Mexican government on Tuesday that co-operation over legal and drug matters would respect its sovereignty.

See International Capital Markets; World Stock Markets

Gatt talks on tariffs fail to make progress

By Frances Williams in Geneva

TRADE officials from about 40 countries taking part in the Uruguay Round of trade liberalisation talks yesterday admitted defeat in their attempt to move forward in the stalled tariff negotiations.

Officials are looking to next month's Munich summit of the seven leading industrialised nations for progress in the transatlantic wrangle over farm trade reform, the critical issue blocking the round.

Smaller rich and poor countries had hoped that the United States and the European Community would agree to reveal enough about their bilateral tariff negotiations to enable the detailed country-by-country bargaining on market access to restart.

The US/EC tariff deal, when complete, will set the pattern for others, under the non-discrimination rule of the General Agreement on Tariffs and Trade (Gatt).

But at a meeting called yesterday by Mr Germain Denis, the Canadian chairman of the market access negotiations, the US and EC again refused to show their hands.

Both regard the outstanding tariff issues as too sensitive to display in a wider forum, while admitting that these issues are unlikely to be resolved without an accord on farm trade.

The tariff negotiations are intended to produce an overall one-third cut in customs duties on farm and industrial goods.

Kazakhstan and Oman sign oil pipeline deal

By Mark Nicholson in Bahrain

KAZAKHSTAN and Oman yesterday signed a consortium agreement to build an oil pipeline to permit the former Soviet republic to export crude from its Tengiz oilfield.

The consortium, in which each government has a 50 per cent share, will design, finance and build the pipeline, which is expected to have an eventual capacity to export 1.5m barrels a day from Tengiz.

Omani consultants say they have identified eight possible routes for the pipeline, which is expected to take three years to complete at a cost, depending on the route, of between $700m and $1.6bn. The consortium will subcontract most of the construction work.

The consortium, into which other members may later be admitted, establishes only the structure to create a means for Kazakhstan to export oil from the Tengiz field.

A decision to proceed with the pipeline will depend on reaching agreement with countries including Russia, Azerbaijan, Georgia, Turkmenistan, Iran and Turkey which the pipeline may cross.

Oman's partnership with Kazakhstan arose through its aid in helping the republic negotiate with Chevron, the US oil company, a deal signed in May this year to develop the Tengiz field. Tengiz is believed to hold reserves of between 6bn and 20bn barrels of oil.

The skill of the Gulf sultanate at low-key diplomacy and its good relations with all countries over which an pipeline may cross also helped cement the agreement.

NEC to boost US chip output

By Steven Butler in Tokyo

NEC, the Japanese electronics company, plans to triple production of semiconductors at its plant in Roseville, California, by the end of next year, through investment of $200m.

The expansion will lift capacity from 10,000 6-inch wafers a month for 4-megabit dynamic random access memory chips (DRAM) to 30,000 wafers a month.

The decision is a sign of NEC's renewed confidence in the market for memory chips, which is currently deeply depressed. The company believes the recent increase in demand coming from US buyers will continue strongly into next year. The expansion of production will also help NEC to increase sales into the US market without exacerbating the tense trade relations with the US. The US has applied pressure on Japan to increase purchases of foreign-made chips. NEC may introduce to the Roseville plant production of 16M DRAM chips, the most advanced memory devices.

Canada to tighten immigration

By Bernard Simon in Toronto

CANADA is backing away from its reputation as one of the world's most hospitable countries by proposing a more selective system for admitting immigrants and refugees.

Proposals tabled by Mr Bernard Valcourt, immigration minister, would speed up the processing of some cases, such as immediate family members of people already in the country, wealthy investors, and bona fide refugees.

But immigration officers would also get new powers to turn away applicants for refugee status, and the right of appeal against refugee board decisions would be more limited.

The aim is to cut the number of applications by about 40 per cent from the 30,000 processed last year.

Canada takes in more immigrants and refugees than any other industrial country relative to its population. Almost 206,000 newcomers arrived in 1991, and the number is expected to rise to 250,000 this year.

Yeltsin appeals to Congress for aid legislation

By George Graham in Washington

MR Boris Yeltsin, the Russian president, yesterday took his request for aid directly to the US Congress, with a plea for the passage of a bill that would help Russia in its transition to a market economy.

He pledged that his country would never return to communism, but warned the US that, in its own interests, it must play its part by supporting his political and economic reforms.

"We have left behind a period when America and Russia looked at each other through gunsights," Mr Yeltsin said.

"Today, the freedom of America is being upheld in Russia. If the reforms fail, it will cost hundreds of billions to offset that failure," he warned.

The president said the US would gain from supporting reform in Russia. "It will not be a wasteful endeavour. On the contrary, it will promote a more efficient solution of your problems as well as ours, and of course it will create new jobs in Russia as well as in the United States," he said.

In a speech to a joint session of Congress – the first by a Russian leader and only the fifth by a foreign head of state – Mr Yeltsin said that passage of the aid bill would be an important first step towards ensuring the success of market reforms in Russia.

The Freedom Support Act, as it is called, would combine aid measures specifically targeted at Russia with approval of a $12bn US contribution to the International Monetary Fund. This latter measure is not directly tied to Russia, but without it the IMF would be handicapped in its efforts to co-ordinate the $24bn package which the leading industrial countries have agreed to provide for Russia.

Departing from his prepared text, Mr Yeltsin took to task those US Congress members who have said that the bill should not be passed until any US prisoners who may still be alive in Russia have been found and returned home.

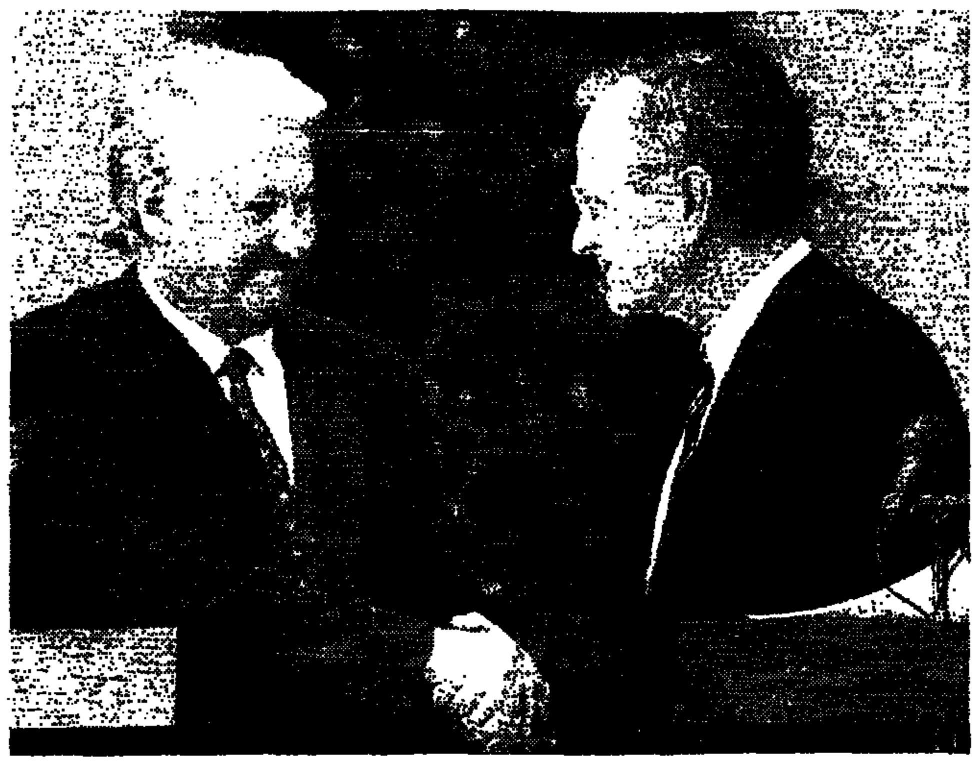
"You are telling me: 'First do the job and then we'll support you in passing the act.' I don't quite understand you," President Yeltsin complained.

The prisoner-of-war issue appeared yesterday to have overshadowed the goodwill Russia might have expected to stem from the agreement on Tuesday regarding dramatic cuts in nuclear weapons.

However, Mr Yeltsin made another effort to demonstrate the sincerity of his desire to put behind him all hostility between Russia and the US. He told Congress that he had already ordered the multiple-warhead SS-18 missiles – viewed by the US as by far the most threatening Russian weapon – to be taken off alert.

Russia is to scrap the SS-18 missiles under the arms control agreement reached by Mr Bush and Mr Yeltsin on Tuesday.

The latter warned the US that it must "take a fresh look" at its policies towards Russia. He singled out the imposition of 160 per cent duties on US imports of Russian uranium as one area where the US was hindering co-operation by the two countries.



SHAKE ON IT: Presidents Yeltsin (left) and Bush cement their nuclear arms accord

US prisoner of war issue poses danger for Bush

By Jurek Martin, US Editor, in Washington

PRESIDENT George Bush is always proclaiming his optimism and his summit with Russian President Boris Yeltsin, especially its substantive agreement on nuclear arms cuts, offers *prime facie* justification, not only for this point of view but for his reputation as an international statesman.

In election-year politics, though, the glass he sees as half-full, potentially brimming, is elsewhere perceived as half-empty and draining. In this respect, Mr Yeltsin's presumably well-intentioned declaration that Russia would help ascertain the fate of Americans missing in action, or held as prisoners of war, may also turn out to be a double-edged sword for the US president.

The Russian summit has given Mr Bush a necessary lift after the unfortunate and ill-planned excursions to Panama and Rio de Janeiro last week, which did nothing for a faltering re-election campaign partly predicated on his competence in foreign affairs.

Mr Bush has seen his popularity plummet since the heady days after the Gulf War last year, as national attention has turned increasingly to domestic issues, his weaker suit.

This fact alone had already raised serious doubts about Congressional backing for the US contribution to the $24bn programme to assist Russia. Mr Thomas Foley, Democratic Speaker of the House of Representatives, said on Tuesday that political and economic instability in Russia made passage of the grandiosely titled Freedom Support Act doubtful. Other Democrats have been blunt in stating that scant resources should first be spent at home.

Conservative Republicans may now have been given by Mr Yeltsin a cause to block assistance. They are exemplified by Senator John McCain of Arizona, a former prisoner of war in Vietnam, who said that no aid should be forthcoming until there had been a full accounting of Americans held on Russian territory, including the release of any found alive.

Further complicating political matters is the position of Mr Ross Perot, the prospective independent presidential candidate in the US, who has made a crusade out of trying to find Americans missing in Indochina.

Also, Mr Bill Clinton, the presumptive Democratic pesidential candidate, is due to see Mr Yeltsin today and can hardly avoid subsequent comment on such a politically charged topic.

Until the unexpected announcement on Tuesday afternoon of the deep cuts in nuclear arms, the Russian initiative on US prisoners of war had dominated the summit. The offer was variously interpreted as a well-meant gesture, an inducement to Congress to approve assistance, and an attempt to enhance Mr Yeltsin's own image in the US, which has not warmed to him as it did to Mr Mikhail Gorbachev, former Soviet president, on his US visits.

Sensing that it might be backfiring, Mr Yeltsin himself said yesterday that Russia "should not be penalised" for its offer. He then departed from his prepared text, in his powerful address to Congress, to emphasise his personal commitment to American families of those missing, eliciting from the legislators a protracted standing ovation.

It also means that Mr Bush will now have to redouble his efforts to get Congress to act. Success would be good for his reputation, but failure, or a stalemate, would again be seen as evidence of his domestic political shortcomings.

Big stride away from megadeath

Robert Mauthner assesses the US-Russian nuclear arms pact

EVERY time a major nuclear arms control agreement is reached, it tends to be described as a "landmark" in the history of disarmament. That was so in July last year when US President George Bush and Soviet President Mikhail Gorbachev announced in London that, after nearly 10 years of tough negotiations, they had agreed on substantial cuts in their strategic arsenals.

But, if the Strategic Arms Reduction Treaty (Start) was important as the first-ever agreement to reduce, rather than just limit strategic weapons, it is a pale version of the accord to which Mr Bush and Russian President Boris Yeltsin put their signature in Washington on Tuesday.

Under Start (yet to be ratified) each country was due to cut the number of strategic nuclear weapons in its arsenal by about 30 per cent. The US was to have reduced its number of nuclear warheads and bombs from 12,000 to about 9,000; the Soviet Union undertook to cut its nuclear warheads from 11,000 to 7,000.

The latest agreement, however, goes much further than that. It provides for reductions, in two stages, to less than half the Start totals. By the year 2003, each country will be left with only 3,000 to 3,500 – a reduction of some two-thirds in present arsenals. However, Russia, already finding it difficult to meet its commitments under the Start treaty to destroy nuclear weapons, will require much more US help to achieve the new targets.

Mr Yeltsin, probably with an eye on the *quid pro quo* he hopes to obtain from the US and other western countries in the form of economic aid, made very substantial concessions which were opposed by Russia's military establishment. The agreement provides for the scrapping of all heavy land-based intercontinental ballistic missiles, notably more than 300 of Russia's SS-18 multiple-headed missiles, which the US has always considered as the most dangerous and most destabilising strategic weapon.

Russia's agreement to the elimination of those weapons, in which it had a clear advantage over the US, has been matched only in part by Washington's concession in the main area of overriding US superiority, that of submarine-launched ballistic missiles. Yet the compromise on a matter on which the US had adopted a remarkably rigid position, was by no means insignificant. The number of nuclear warheads on US submarines will be reduced to 1,750 – a cut of 50 per cent on the limits laid down in Start.

As both Mr Bush and Mr Yeltsin emphasised, the fact that an armed conflict between the two countries is now considered inconceivable made agreement much easier. The prohibitive cost of large nuclear arsenals, particularly for a country in such dire economic straits as Russia, also contributed to a rapid accord. "We cannot afford it," the Russian leader said bluntly. "Therefore we must have a minimum security level."

The unanswered question, however, is what that minimum level is. Why did Mr Bush and Mr Yeltsin stop at 3,000 to 3,500 nuclear warheads each, more than enough to destroy their countries and populations several times over?

Even if it is accepted that nuclear deterrence has proved its worth by giving the world nearly 50 years of peace, most experts believe that the same result could be achieved at a much lower level of nuclear weapons than those just agreed. The other side of the coin is that the US and Russia are not concerned only with each other's nuclear forces. They have to plan for crises in which other nuclear powers – such as China, India and Israel - might be involved.

The US-Russian agreement also again raises the question of when other nuclear powers – such as Britain, France and China – should join negotiations on the reduction of nuclear weapons. The UK and France have refused to say exactly when that might be, stating merely that their forces are still insignificant compared to those of the US and Russia, even after the latest reductions.

However, the new US-Soviet agreement will put added pressure on Britain and France to follow suit in the field of strategic weapons.

IMF Moscow talks show conflicts over reform

By John Lloyd in Moscow

TALKS between the Russian government and the International Monetary Fund in Moscow on the implementation of economic reform are going slowly and show numerous points of conflict.

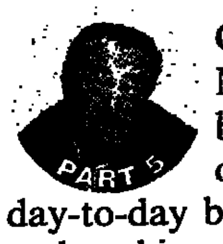
No agreement is thought likely before President Boris Yeltsin meets the leaders of the Group of Seven industrial countries in Munich on July 8, after the G7 summit.

The fund wants assurances that the Russian central bank has firm agreements with the central banks of the other 14 former Soviet republics on the use of the rouble (still their common curency) before it releases $6bn to stablise the Russian currency. The Russian government wants to make the rouble internally convertible next month.

Other former Soviet republics, including Estonia and Ukraine, say they will introduce their own currencies soon.

The IMF also wants a firm commitment on the repayment of the former Soviet debt, for which Russia is now responsible. Russia is paying neither principal nor interest on the $60bn-plus debt to Western countries.

Sins of the father



Only a small fraction of the £933m plundered by Maxwell is likely to be recovered. He will be remembered for this. But he did not run the empire on his own. During 1991 he had decreasing influence on a day-to-day basis. He came to rely on a small core of executives, and on his sons — Kevin and Ian. **Bronwen Maddox reports**

KEVIN MAXWELL hurried out of his office on the ninth floor of Maxwell House into its central reception lobby at 11.30am on November 5 1991.

Behind him the double doors leading to Robert Maxwell's vast office were closed. He turned into his brother Ian's office and asked the secretary to leave. On her way out she overheard Kevin say: "It's Dad."

One thousand eight hundred miles away, off the coast of Gran Canaria, a full-scale air and sea search was under way for Robert Maxwell, who had been reported missing from his yacht, the Lady Ghislaine.

"Give me *20 minutes to call the* bankers," Kevin told Ernest Burrington, then managing director of Mirror Group Newspapers (MGN), who was drafting a press release. *Kevin – anticipating the urgent* steps needed to save his father's empire – called Samuel Montagu, MGN's merchant bank, and Sir Michael Richardson, chairman of Smith New Court, stockbrokers to MGN and Maxwell Communication Corporation (MCC).

As the directors of MCC assembled at 3pm in Kevin's office for an emergency board meeting, an electronic message flashed across City dealing screens that MGN and MCC shares were suspended. *A second* message, 10 minutes later, told the world what the directors now knew: Robert Maxwell was missing at sea, feared lost.

"Kevin *told me just before the* board meeting that his father was missing," says Basil Brookes, MCC finance director, whose own departure had been planned for that day. *"I agreed to stay and help. I didn't* have the heart to say no."

The UK's clearing banks, which had financed the Maxwell empire, held emergency meetings with Kevin. *"The lad was really upset,"* said one UK bank director that afternoon. "But there was tremendous dynastic loyalty: 'We are the Maxwells and it will carry on.'"

The week after Robert Maxwell's death his sons, fielding press conferences and emergency bank syndicate meetings, attracted widespread sympathy.

Bankers, initially sceptical that two young men in their early 30s could carry the huge burden, discussed bringing in a senior accountant as a father figure. But they changed their minds. "It's an almost unimaginable weight on them, but I think they're going to make it," said one clearing bank director in admiration.

Behind the composure the problems were pressing. On Wednesday, the day after his father's death, *Kevin told Swiss Bank Corporation* that the private Maxwell companies were reneging on the promise he had given the week before to repay its £57.5m loan.

On Friday, *as the Maxwell family* began leaving for the funeral on Jerusalem's Mount of Olives, half a dozen Swiss Bank executives were closeted with lawyers from the City firm Allen & Overy.

On Monday, 24 hours after Robert Maxwell was buried, Swiss Bank met the City of London police – and the Serious Fraud Office was called in to investigate the Maxwell empire.

Kevin and Ian inherited their father's *empire for* less than four weeks. On December 3 they were forced by fellow directors and banks to resign as chairmen of MCC and MGN. A month after Maxwell died Headington Investments, the parent company of the Maxwell empire, was put into administration under UK insolvency laws.

When the Maxwell empire collapsed it emerged that MCC, MGN and the *Maxwell pension funds had* been stripped of £933m in cash and assets. Only a small fraction is likely to be recovered. That is the legacy for which Robert Maxwell will be remembered.

However Maxwell did not run the empire on his own. Several of his directors and bankers say that during 1991 he had increasingly little influence on a day-to-day basis. He relied on a small core of executives, and on his sons Kevin and Ian.

Kevin had a particularly important role. Interviews with Maxwell directors and bankers show that he took day-to-day control of much of the financial planning and the complex treasury *departments of* many of the businesses for several years before his father's death.

Papers obtained by the Financial Times also reveal that Kevin signed *– although he may not have known* the implications – some of the documents authorising transactions that led to the loss of money from the Maxwell pension funds and public companies.

Part of the explanation for how Kevin appeared able to take on his father's largest companies so smoothly after the death was that he had already been carrying much of the burden.

'The banks dealt with Robert for signings, but real discussion was with Kevin, for MCC and private companies'

In 1988 when Robert Maxwell recruited Jean Pierre Anselmini as *MCC deputy chairman,* Maxwell said: "I am 65, and I have two young sons in their early 30s. Join us and participate in their education for a few years."

The education was rapid. In early 1991 Maxwell promoted Kevin to chief executive of MCC and Ian to deputy chairman of MGN. The two were also directors of many parts of the Maxwell empire's "private side" – a tangled web of nearly 400 different companies – and directors of Bishopsgate Investment Management (BIM), the company managing much of the £700m Maxwell pension funds.

Kevin was head of the larger company, valued *in May at £1.2bn* compared with MGN's £500m. It had become clear that Kevin was taking on the more financially complex jobs within the empire.

"Ian is a salesman, a marketing person, very good with people," says one MCC director. Peter Jay, the former British ambassador to the US who worked for Maxwell for three years *as chief of staff,* says that Ian "is a conciliator, looking for solutions". It seemed natural within Maxwell House that Ian would gravitate towards MGN, with the newspapers' need for marketing talent.

Ian also acted as his father's negotiator and envoy on many of the eastern European "investments" where – it has become even clearer in retrospect than it was at the time – profit was not a priority.

In contrast, Kevin *took on much* of the responsibility of running MCC. It was a formidable challenge, straddling the Atlantic, with huge movements of foreign currency to manage and a debt burden of more than $2bn. *By 1990, according to* MCC directors, he had also taken effective day-to-day control of the complex treasury department, under his father's authority.

Until late 1991 the treasury was shared by MCC and the private companies – although not the pension funds – and channelled much of the daily flow of millions of pounds *between the Maxwell* companies and their banks.

"How that young man dealt with all those issues is beyond me *– he* must have a brain like a Hewlett Packard," says one of Maxwell's main UK bankers. The Maxwell House joke was that managing *directors were nothing; finance* directors were king. By 1991 Kevin's financial skill had made him clearly the crown prince.

Kevin's importance in the organi*sation could not have* been guessed from the nature of his office in Maxwell House. It was an unprepossessing room, only a third the size of his father's. Bare and L-shaped, it held only a desk and table and was lit by one narrow window.

Kevin's style was in marked contrast to *that of his father.* An analyst for the Maxwell finance department says: "He hated anyone who was excitable or who got agitated, and it was very obvious he was trying to be different from *his* father." Both Maxwell sons, however, were capable of their father's customary flashes of anger and extreme rudeness.

Kevin and Ian were also subject to their father's extreme disruptiveness. Les Williams, one of the office managers, remembers that Kevin, under orders from his father, once *moved his wife Pandora and his* children from London to New York – only to be pulled back to London after three weeks.

Maxwell would also shout at both *sons in public, which onlookers* found deeply embarrassing. He would shout: "You're a fool, you're such an idiot, how can you give that answer?"

Many of the directors found Ian easier company; Kevin's intensity and preoccupation with the figures led one Maxwell House aide to regard him as a "desiccated accountant". *He was distant from many of* the publishing executives.

Instead, Kevin was closer to the finance executives. Brookes, at 33 the same age as Kevin is now, says: "I felt for him, the way the old man treated him. We went to football together. One day he said: 'What's your team?' I said Blackburn, so he arranged to go, arranged for parking for me. He said: 'Don't tell my father we're here – I've told him you and I are sorting out the working capital *this afternoon.'"*

Many, however, commented on his extraordinary self-possession. "Kevin is unbelievably cool," says one MCC director; a bank director adds: "Quite extraordinary sang-froid."

As Maxwell became progressively less involved in the day-to-day running of the businesses through 1990 *and 1991, it was Kevin who took on* the burden.

He was the regular point of contact for the banks as the financial strains on the empire increased. *"The banks dealt with Robert Max*well for signings, but real discussion was always with Kevin, both for MCC and private companies," says one UK clearing banker.

He adds: "We could always get hold of Kevin, but given the pressure the boy was under it was hard." *Another bank's senior direc*tor confirms: "He was not one to avoid phone calls. He would always call back, even if it was at midnight."

The banks were clear about the centrality of Kevin's role. One director comments: "The others didn't realise the whole picture. They would say: 'We must refer this to Kevin.'"

During the summer the pressure intensified. One banker says: "We were concerned about his [Kevin's] health. He was working seven days a week, 25 hours a day. He was being strategic director, he was being treasurer, assistant treasurer, assistant assistant treasurer."

Maxwell had kept the inner core *of executives small.* A finance department analyst says: "Kevin kept trying to involve more people in running the company, but his father kept refusing to let him."

One of the administrators to the Maxwell empire, surveying a map of MCC's astonishing total of 400 subsidiaries next to the 400 private Maxwell companies, recently said in wonder: "When you think of it, 800 companies were run by a man and a *boy."*

With that central a role in his father's empire, how much did Kevin know? On resigning as chairman of MCC on December 3 Kevin said: "My father had a style based on a need-to-know basis."

It is clear his father kept ultimate authority for many of the financial decisions in the empire. It is also clear, however, from documents obtained by the Financial Times, that Kevin was closely involved in many of the transactions that are now seen to be central to the eventual removal of money from the public companies and pension funds. He was also central to some that are now the focus of the SFO's investigation.

Through his day-to-day control over the treasury department and as an MCC director Kevin was closely involved in the loans made by MCC to the private Maxwell companies in 1991.

Loans of cash from MCC to these private companies reached a peak *of £300m in July. Kevin's signature* was on at least 11 of these transfers of cash, totalling £145m. The signature was always accompanied, as required, by another director's, and *the* transactions were not illegal. However MCC's loans to the private Maxwell companies provoked intense rows during August between the Maxwells and the other MCC directors.

One of the most controversial episodes, which some MCC directors *and bankers now concede might* have alerted them to the looming problems, was an extraordinary pattern of highly irregular foreign exchange dealings through the treasury in July.

During three weeks MCC traded in tens of millions of pounds of foreign currency with some 20 of the world's biggest banks. In most cases it paid for the currency late; the condition for such spot deals is that they are paid within hours. The effect was to give it a three-week unofficial "loan" of around £100m. Copies of the bank authorisations show that some of the foreign exchange deals were authorised by Robert Maxwell and the dealing conducted by Kevin; some were authorised by Kevin and dealt by junior treasury officers.

One of the Serious Fraud Office's investigations focuses on an alleged scheme to support the share prices *of MCC and MGN.*

The collapsing share price of the two companies was draining away the what was left of the Maxwell's empire's lifeblood. Investigators have now discovered that the private companies routed some £300m *– obtained from many different* routes through the empire – to secretive Liechtenstein and Swiss trusts which then bought MCC and MGN shares.

A letter and a corroborating fax show that Kevin Maxwell was intimately involved in the purchase of 9m MCC shares by Yakosa, a Swiss trust, and a further 16m shares by Servex, another Swiss trust – both of which have said they are independent of the Maxwells.

On May 29 last year, Kevin Maxwell sent a signed fax to Goldman Sachs, the US bank, saying that the shares would be bought by the trusts with £55.33m provided by *BIT, a Maxwell private company.* Goldman's lawyers say the firm acted properly.

The SFO is investigating whether Robert or Kevin Maxwell breached *the Companies Act* by *failing to dis*close the purchases of the shares by the Swiss trusts; if either had a financial interest in the trusts, the purchases should have been dis*closed under company law,* because the Maxwells were both directors of MCC. The trusts' lawyers have said that they are independent.

Documents show that Kevin Maxwell was closely involved in the management of "stocklending" from the pension funds. Stocklending is a *legal* and common practice whereby pension funds lend out their assets for a few days or weeks to other financial institutions as a way of boosting their income.

In retrospect, however, it is clear that stocklending from the Maxwell pension funds was highly unusual, particularly during 1991. This was partly because of the length of time for which the stocks were lent, and partly because the pension funds were not always adequately protected.

The main way the Maxwell pension funds were eventually stripped of assets was through stocklending to Maxwell's private companies which could not pay them back.

A memo to Kevin Maxwell from *Larry Trachtenberg, a director of* private Maxwell investment companies, is dated December 17 1990, nearly a year before Maxwell's death. Headed: "Outstanding items and action for week commencing 17.12.90," it reminds Kevin to send letters to Capel Cure Myers and Invesco MIM, the investment houses which managed some of the *Maxwell pension money.* Trachtenberg says the letters "request that we roll over the stock borrowing positions until 31.1.91. As we have agreed the BIM [pension management company] year end is not until April 5 so this should not cause a *problem."*

The significance of this is partly that it suggests that Kevin had some responsibility for dealing with the Maxwell pension money and for negotiation of stocklending arrangements with banks and investment managers.

One of the most controversial actions by both Kevin and Ian emerged in the weeks immediately after their father's death; the issue of Berlitz, the international language instruction company. Berlitz was a central part of why the MCC directors turned against the Maxwell brothers.

'How Kevin dealt with all those issues is beyond me — he must have a brain like a Hewlett Packard'

Brookes says: "Kevin's attitude after his dad died was: 'Let's sort it out and worry about who did what later.' That's why Coopers & Lybrand Deloitte [the accountants in charge of estimating the empire's financial position] wanted to keep him on and why we could work with him, at first."

On November 7, two days after Maxwell's death, MCC announced that it had agreed to sell its 56 per cent stake in Berlitz to Fukutake, *the Japanese publisher.* The prospect of $265m flowing into MCC was welcomed by bankers.

Just under two weeks later, however the MCC board was plunged into bewilderment and anxiety.

According to Brookes, *that* day Kevin told the MCC board that 1.9m of MCC's total of 10.6m Berlitz shares "were not where they should be". It emerged that they had been already pledged to banks to raise loans for private Maxwell companies – the private companies had in effect appropriated an MCC asset.

Brookes says that he had no idea that this had been done. It was an explosive issue for the *MCC board* because MCC had nearly $2bn of debt, its "jumbo loan", famous in banking circles. One of the conditions of the loan was a so-called "negative pledge" – a promise that MCC would not sell or mortgage assets of more than £10m without the permission of the banking syndicate.

Brookes *asked* Kevin if any other share certificates were missing. Kevin replied: "Could you make sure there aren't?"

Brookes now says: "In fact we couldn't have checked." *Some of the* shares had been transfered to a company *in the* heart of the Maxwell labyrinth of private companies – Bishopsgate Investment Trust. It is similarly named, but entirely distinct from Bishopsgate Investment Management, *the* pension management company.

Brookes says: "We had no way of tracing them once they had gone into BIT; no one else but Kevin was a director of both." *Later, it* was revealed that some of the shares had been transfered to BIT a year earlier – in November 1990.

The issue of whether the transfer of the Berlitz shares *to* BIT was improper is not clear-cut. Nor is it clear whether, when BIT later pledged the shares to banks for private Maxwell company loans, this *was a breach of* MCC's bank covenants. What is clear is that Kevin knew about the pledging of the shares long before his father's death and knew that, therefore, they could not immediately be sold to repay MCC's debt.

The same memo from Trachtenberg to Kevin discusses – *as long* ago as December 1990 – whether shares in "BTZ", believed to refer to Berlitz, could be used as security for bank loans.

A *signed letter from Kevin to* Lehman Brothers International, the US bank, dated September 20 1991, also confirms the "transfer of 1.37m shares in Berlitz from ourselves (BIT) to yourselves . . . by way of security for the loan of $117m United States Treasury Bills from Lehman to BIM".

On Sunday November 24th MCC's US lawyers discovered that 2.4m more Berlitz shares were missing.

Documents dated November 13 1991 – eight days after *Maxwell's* death - were signed by Ian Maxwell and Trachtenberg and confirm the pledge of 2.4m Berlitz shares to Swiss Volksbank, in return for a $35m *loan.*

Some of the banks who received pledges of shares are now claiming the right to keep the shares – making the sale to Fukutake impossible. *The pledging of* Berlitz *blasted* a £144m hole in MCC.

On Sunday December 1, at a meeting of all the Maxwell bankers, Coopers announced that they had *uncovered a hitherto undetected* pattern of loans within the empire.

The private companies – now *effectively bankrupt* – owed MCC, MGN and the pension funds hun*dreds of millions of* pounds which would never be repaid.

The next morning, MGN and MCC shares were suspended a second time on the stock market. A fax *from* MCC's US office slid *on* to Brookes' desk. It revealed Kevin's signature before Maxwell's death, arranging the pledging of Berlitz shares – and the signatures of Ian and Trachtenberg after his death.

One MCC director says: "I had thought Kevin was on our side but after this I realised what we had in our middle."

Kevin rang Anselmini at *his Paris* home late that night. According to Anselmini he said: "It is being said we are responsible for hundreds of million of pounds missing. I cannot *go into explanations, but I did not* want you to know from the press or the other directors. Also, the banks are demanding that my brother and I quit. Could you call them and see if they can be persuaded?"

Anselmini soon called Kevin back. He had discovered that it was the other directors more than the banks who wanted him out.

Peter Laister told Kevin the directors wanted him out.

On the morning of Tuesday 3rd *December the Maxwell* brothers resigned their chairmanships of MCC and MGN.

That evening they moved their offices. After his father's death, Ian *had moved from Maxwell House's* ninth floor to the adjoining MGN building – but he now moved to an office on the south side of Maxwell House's sixth floor, one of the private *Maxwell company suites.* Kevin moved down from the ninth to join him, taking an office on the north side. Trachtenberg had an office between them.

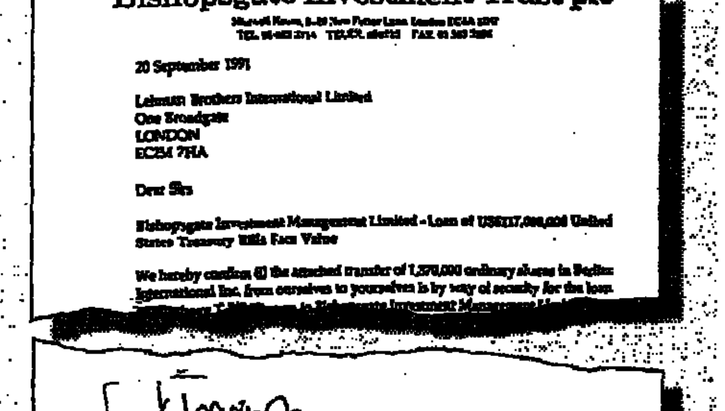
Maxwell House staff helped the boys move during Wednesday. The brothers took their personal posses*sions out of the offices,* their word processors together with their electronic files, and some papers.

On December 4 Brookes circulated a memo in Maxwell House prohibiting the *shredding of any* documents. The following day the Maxwell private companies went into administration under UK insolvency laws.

MCC *struggled on for 11 days, but* finally on December 16 filed for administration under UK and US insolvency laws. One MCC director says: "It was both the money loaned out of the *bank account that* finished us off – and Berlitz."

The SFO subsequently announced that it was launching five separate fraud investigations into the collapse *of the Maxwell* empire. Meanwhile Kevin Maxwell has attempted to keep trading. One of his friends commented that he is obsessed with making a comeback, as his father *did. He has told* friends: "Nothing in your life prepares you for fighting for your own survival."

Boxing clever: Kevin and Ian remove their belongings after resigning their chairmanships



Bishopsgate Investment Trust plc

20 September 1991

Lehman Brothers International Limited
One Broadgate
LONDON
EC2M 7HA

Dear Sirs

Bishopsgate Investment Management Limited - Loan of US$117,000,000 United States Treasury Bills Face Value

We hereby confirm (i) the attached transfer of 1,370,000 ordinary shares in Berlitz International Inc. from ourselves to yourselves is by way of security for the loan

Executed under the Common Seal of Bishopsgate Investment Trust plc

Document, signed by Kevin Maxwell, confirms the transfer of Berlitz shares from a private Maxwell company to a US bank

The FT's team of journalists has interviewed more than 150 people in 13 countries. The team led by **Bronwen Maddox** included: **In London:** Jimmy Burns, Raymond Snoddy, Robert Peston, Andrew Jack, Norma Cohen, Richard Gourlay, Daniel Green **In Jerusalem:** Hugh Carnegy **In Liechtenstein:** Ian Rodger **In Moscow:** Leyla Boulton **In New York:** Alan Friedman

TOMORROW PART 6:
Nowhere to run

Britain ties economy to European policies

By Peter Norman and Emma Tucker

THE British government yesterday pledged to stick to the economic policy goals of low inflation and sound public finance enshrined in the Maastricht treaty despite the Danish rejection of European economic and monetary union.

Speaking shortly after the release of mildly encouraging industrial production and retail sales data, Mr Norman Lamont, the chancellor, held out the prospect of "lower pay settlements leading to lower earnings growth" and British industry entering a "virtuous circle of low inflation, rising competitiveness and increasing market share".

In a speech to businessmen he indicated that this achievement could take a long time. He drew a parallel between conditions in the UK and France – which in 1983 embarked on a tough counter-inflation policy and now has one of the industrialised world's lowest inflation rates.

In France "years of tight monetary and fiscal policy...are beginning to pay off", the chancellor said. "It has been done the difficult way; but that is the only way." Mr Lamont did nothing to encourage recent speculation that the government might be planning to cut UK bank base rates from their present 10 per cent. Instead he reaffirmed its determination to take sterling "in due course" into the narrow bands of the European exchange rate mechanism (ERM) at a rate of DM2.95.

Inquiries from prospective home buyers have risen but sales are taking a long time to complete and many would-be purchasers pull out at the last minute, according to a survey of more than 100 estate agents.

The Royal Institution of Chartered Surveyors' survey said: "Despite increasing levels of buyer interest across the country, we are still a long way from any sustained improvement in the housing market."

While he was careful not to commit the UK to eventual membership of a single European currency zone, he laid stress on Britain's commitment to the ERM and the economic convergence criteria of the Maastricht treaty. The "conquest of inflation" was at the centre of UK economic policy, he said. The government was beginning to break the inflation-prone mentality that had "dogged Britain for decades".

Mr Lamont said the past 18 months had been "extremely difficult". But he predicted that people would see that the right decisions were taken.

Nonetheless, Mr Lamont said he was encouraged by yesterday's news that manufacturing output had risen in April for the third successive month and that retail sales had increased slightly in May.

Figures from the Central Statistical Office suggested that the Tory election victory had failed to trigger a spending boom with consumers reluctant to spend in the face of rising unemployment and depressed conditions on the housing market.

Compared with the previous three months, retail sales volumes were virtually unchanged in the three months to May 31 and were down 0.3 per cent compared with the same period a year ago.

Although last month's increase was the second consecutive monthly rise, the three-monthly trends suggest that British consumers are still reluctant to spend.

Lex, Page 18
NFC results, Page 19

Mirror Group executives step down

By Raymond Snoddy

THE BOARD of Mirror Group Newspapers (MGN) yesterday announced that Mr Ernest Burrington had stepped down as chairman of the popular newspaper group. Mr Burrington, former editor of The People, who is 65, will stay on as a non-executive director until the company's annual meeting in July.

He has been replaced by Sir Robert Clark who has been deputy chairman since December.

At the same time Mr Lawrence Guest, finance director of MGN, who has worked at the group for 30 years has resigned as a director and will be leaving the company.

Sir Robert expressed sadness at the resignation of Mr Burrington who joined the company in 1950 and paid tribute tribute to Mr Guest as a "most loyal and committed member of the company".

It is almost certain that the resignations were sought and the news that they would be leaving came as a surprise to both men.

The decision was taken at meetings of the other directors on Tuesday and Mr John Talbot, the Arthur Andersen administrator to the Maxwell private interests was consulted before the decision was implemented. A group of banks effectively controls the 54 per cent of MGN that used to be owned by Maxwell private interests, because the shares were pledged to support loans.

No impropriety of any kind was alleged against either Mr Burrington or Mr Guest. It is clear, however, that at least some of their fellow directors felt they had not acted decisively enough when the first hints of possible irregularities surfaced last August.

Others said that their ousting was more of a coup by the younger operational directors keen to make a break with the past and that the decision had been taken "to thrown a few Christians to the lions".

MGN will next week issue accounts detailing officially for the first time the financial state of the company and the pension funds. A relisting of MGN's suspended share price is also being sought. There is likely to be a considerable delay in the sale of the group which includes the Daily Mirror, Sunday Mirror, People, Scottish Daily Record and Sunday Mail.

All Mr Talbot, the administrator, will say is that there are no plans to sell the company but that the issue will be kept under review.

Following the appointment of Department of Trade and Industry inspectors to look into MGN affairs and in particular the flotation it could be well into next year before there is any sale.

Soon after taking over as chairman in December, following the death of Mr Robert Maxwell, Mr Burrington expressed disgust at what his former employer had done.

"Robert Maxwell didn't just put his hands on the money of the banks which can look after themselves but on the money of the common man and his missus," said Mr Burrington in a reference to the fact that Mirror readers were invited to buy shares in the company.

MEPs seek a 'Citizen's Charter' for Europe

By Ralph Atkins

CONSERVATIVE Members of the European Parliament (MEPs) yesterday increased the pressure on Mr John Major to tackle opposition to Maastricht by adding a protocol that would ensure decisions are made at the lowest possible level of government.

At an hour long meeting at Downing Street, the MEPs supported the prime minister's determination to press ahead with ratification of the treaty. But they urged him to work for a "Citizen's Charter for Europe" based on decentralisation of decision-making from Brussels.

Sir Christopher Prout, leader of the Tory MEPs, said Mr Major had been "upbeat" about the proposals. The MEPs were also anxious to ensure a positive message by Tories in the 1994 European elections – in contrast to the party's poor performance in 1989.

Sir Christopher said the UK government, in its presidency of the EC from next month, ought to carry through the idea ministers have floated of a protocol reinforcing the principle of "subsidiarity". It was winning support in the European parliament, he said.

A protocol would have to be binding on all EC members, even though that would require a technical negotiation of the treaty, Sir Christopher said. He suggested work on the protocol would not need to start until the 11 countries, other than Denmark, had ratified the treaty.

Sir Christopher reiterated Mr Major's pledge to put Britain at the heart of Europe, in spite of the row over Maastricht. "If we just stand aside it will become the thing we most fear – a centralised Europe," he said.

The meeting counter-balanced pressure on Mr Major from Conservative Euro-sceptics in the Commons, highlighting the spread of views across the party.

Welsh and Scottish nationalists, however, warned yesterday that a protocol on subsidiarity treaty could led to them voting against the legislation ratifying Maastricht when it returns to the House of Commons in the autumn. Together the parties have seven MPs who could be crucial if the vote is close.

Scottish Nationalist Party and Plaid Cymru MPs are worried that a subsidiarity protocol would prevent any moves towards decision making on a regional level.

Factory output edges up

By Emma Tucker, Economics Staff

THE 0.3 per cent rise in manufacturing output in April continued an upward trend that began in February and was broadly based across manufacturing's seven sectors.

The monthly increase meant that growth in the three months to April was 1 per cent compared with the previous three month period although compared with a year ago, was 1 per cent lower.

The Central Statistical Office said the highest growth was in metals and the "other manufacturing" sector which includes plastics, paper, printing and publishing.

Every component of the consumer goods industries experienced growth with the sector overall growing by 1.6 per cent in the three months to April.

The most marked improvement was in the production of cars. Output in this sector rose by 9 per cent compared with the previous three month period and by 3 per cent compared with the same period a year ago. Clothing and footwear grew by 2.6 per cent on the previous three months.

Within the engineering sector, which accounts for over 40 per cent of manufacturing, output of motor vehicles – cars and commercial vehicles such as lorries and buses – rose by 7.3 per cent in the three months to April compared with the previous three month period. Mechanical engineering fared less well falling by 1 per cent in the three months to April, as did aerospace and shipbuilding production which contracted by 2.9 per cent on the previous three months.

The chemicals industry continued to thrive although the 0.2 per cent three month on three month growth was the lowest for a year. A buoyant pharmaceuticals industry meant that the sector had the most robust annual growth – almost 4 per cent – within manufacturing industry.

Output of investment goods continued to fall. Production was down 4.6 per cent on a year ago and down by 0.8 per cent on the three monthly comparison.

A sharp fall in North Sea oil and gas production in March meant that overall energy output in the three months to April was 2 per cent lower than in the previous three month period.

The CSO, however, said that the index of energy output in the first quarter had been revised upwards which would affect the revision of first quarter GDP growth. This was provisionally estimated to have fallen by 0.6 per cent.

Endangered species: A keeper watches a rhinoceros at London Zoo yesterday

London Zoo to close in September

LONDON ZOO, the world's oldest zoo and formerly one of the capital's top tourist attractions, will close in September unless a private backer can be found, writes Bethan Hutton.

The zoo, at Regent's Park, has been in financial difficulties for some time. Its demise was announced last year, but after a cost-cutting programme it broke even in March this year and cancelled closure plans. However, attendance figures have continued to fall to 30 per cent below target and the zoo has a deficit of £2m on annual running costs.

Sir John Chapple, president of the Zoological Society of London which runs the zoo, said: "Sadly, the closure of London Zoo is now the only option facing us that will ensure the survival of the society as a whole." A government bail-out is unlikely. Last year it refused further grants, and told the zoo to put its house in order. The zoo has cut jobs over the past few years, and the remaining 150 staff are likely to be made redundant.

As a royal park, the zoo is technically the property of the Queen, but is managed by the Ministry of National Heritage and leased to the society for a peppercorn rent. Options for the 36 acre site are limited by usage regulations. The ministry said there was "no question at all" of office or residential development.

Nine listed buildings need repairs estimated at £15m. Under the terms of the lease the society is responsible for repairs, but last year the government agreed to assume the responsibility if the zoo surrendered the site. The heritage ministry is not bound by planning regulations, but said it would seek planning permission if it decided to demolish one of the buildings.

Dr Jo Gipps, curator, said it would take six months to find homes for the animals but none would be destroyed. Some may be moved to the society's other site at Whipsnade Wild Animal Park.

Dutch insurer rules out credit price war

By David Dodwell, World Trade Editor

AN EXPORT credit price war in the UK has to be avoided, Mr Harry Groen, head of NCM, the Dutch credit insurer that recently acquired the short-term credit arm of Britain's Export Credits Guarantee Department (ECGD), said yesterday.

Mr Groen said that under Dutch management the ECGD would be "focused on increasing the market rather than picking up bits of the business of our competitors".

The ECGD is the former state agency responsible for granting credit insurance to exporters.

Mr Groen's statement comes just two months after NCM launched a domestic credit insurance policy warning. It said then: "We haven't entered this market to be a marginal player."

Yesterday, however, Mr Groen said: "We are not prepared to enter [the UK market] in a cut price kind of way."

The statement is likely to be welcomed by the beleaguered Trade Indemnity (TI) the market leader with 82 per cent share. TI has been hard hit by claims resulting from the recession over the past two years and announced pre-tax losses of £46.6m for 1991.

Mr Groen, meanwhile, said radical changes were likely in Europe's export credit insurance market this year, triggered by the expected release next month of European Commission proposals for all "marketable" risk to be handled by private sector insurers.

This is likely to include all policies up to three years, and will exclude political risk, which will continue to be at least reinsured by national governments.

These proposals have drawn concern in France and Germany, where government agencies still manage short term export insurance, but are likely to be welcomed by NCM; which has been offering such insurance cover since 1933.

Unions win clearance for merger

By Michael Smith, Labour Correspondent

THE CREATION of the biggest public-service union in Europe, with 1.4m members, became a virtual certainty yesterday when leaders of Nalgo defeated attempts to wreck a planned merger with two other unions.

Delegates to Nalgo's annual conference defeated a series of motions aimed at ending or delaying the amalgamation with the Nupe public-service union and Cohse health union, which is planned to take effect from July next year.

Nalgo's conference had been viewed by leaders of all three unions as the last and potentially most serious threat to "final proposals" for amalgamation drawn up this year.

Its backing, with the earlier support of the Nupe and Cohse conferences, means the proposals will go to a ballot of members at the end of the year. It is highly unlikely that members would vote against the advice of their leaders.

Lloyd's rescue plan runs into difficulties

By Richard Lapper

PLANS TO set up a bail-out fund to help Names hardest hit by the losses at Lloyd's of London are running into difficulties and could be abandoned.

An emergency meeting of the Lloyd's council, the market's governing body, was held yesterday to discuss a number of schemes. The council will announce its conclusions today but a Lloyd's official admitted that a bail out plan "is looking less and less likely."

The purpose of a bail-out would be to cap the losses of Names – the individuals whose assets support underwriting – who have been worst affected by Lloyd's recent losses, which are forecast to reach £2bn in the 1989 underwriting year. In line with Lloyd's three-year accounting system, these figures will be announced next week.

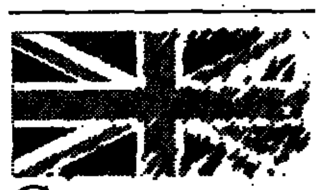
Officials working on the scheme are understood to have been unable so far to solve complex legal and practical difficulties.

A minority of market's Names, who are members of "spiral" reinsurance syndicates – which provided high level catastrophe cover to other syndicates and companies – face a disproportionate share of the market's loss.

Chatset, the company which tracks the results of Lloyd's syndicates, says that Names on just 15 of the 401 syndicates trading could face losses of £948m.

A decision not to help them will be bound to stir controversy ahead of the society's annual general meeting next week.

Britain in brief



Government to respond on Shirayama

The government has promised an early statement on the future of County Hall just three days after Japan's Shirayama Corporation threatened to pull out of a deal to buy the former Greater London Council headquarters.

Mr John Redwood, environment minister, said a statement would be made in the near future. Shirayama – facing a vigorous campaign against its proposals by the London School of Economics (LSE) which wants to relocate to the site – has warned it would withdraw unless the government clarifies its stance on future development.

Shirayama, which bought the site from the London Residuary Body – the organisation responsible for winding up the affairs of the GLC – some three months ago, plans to turn the building into a hotel and leisure complex.

Polys admit more students

The number of students admitted to degree courses in polytechnics rose by nearly a quarter last year alone, making an increase of more than one third in the last two years, according to official figures:

The Polytechnics Central Admissions System annual report shows an increase of 22.3 per cent in the number admitted for degree courses, with an 18.3 per cent increase in numbers starting on Higher National Diploma courses.

Polytechnics are bearing the brunt of the current expansion of higher education. In the 1980s as a whole, the number of full-time students in polytechnics and higher education colleges increased by 69 per cent, while numbers at universities rose by only 18 per cent.

Targets missed on training

Take-up of the government's pilot "training credits" scheme for young people has fallen below target in its first year, a Department of Employment evaluation has found.

About 60 per cent of eligible 16 and 17-year-olds have started to use their credits, compared with the government's original target of 65 per cent for the first 12 months of the scheme.

Under the scheme young people can exchange vouchers with an average monetary face value of £1,500 for training with an employer or training organisation.

Iata warns of 'meltdown'

Europe's air traffic could suffer "meltdown" this summer with pilots and aircraft stranded in the wrong airports as a result of too much demand for airspace, according to a senior official of Iata, the International Air Transport Association.

Mr Norman Jackson, the technical director, said: "It doesn't take much of an industrial problem or technical hitch to cause serious disruption."

Iata's warning came after it sent a report earlier this month to Eurocontrol, the government backed air safety group based in Brussels, on difficulties with congestion over European skies.

Sotheby's plans sale changes

Sotheby's, the US-owned auction house, has decided to change the way it sells Victorian pictures. A few years ago it placed British 19th century art in the same auctions as continental 19th century art in the hope of building up an international market.

This has not happened and Sotheby's says in future such works will be removed from 19th century European auctions and return to their own specialist catalogue.

Flat beer

Beer sales were nearly 3 per cent lower in March than in the same month last year, according to the Brewers' Society. The market remained depressed though a sharp rise in imports boosted the month's total production by 0.5 per cent to 3m barrels. First quarter production of 8m barrels was about 1 per cent below output in the same period last year.

BBC raises pay offer

The BBC has slightly increased its offer to more than 25,000 staff to 4.1 per cent, slightly below the rate of inflation. The corporation's initial offer was 3.7 per cent. The new offer includes a minimum increase of £350 a year and an increase in London weighting to £2,200.

Miners to lose pit fight

The bid by redundant miners to buy Thurcroft colliery in South Yorkshire appears to be doomed after British Coal said the miners' offer to pay less than one-third of the cost of keeping the mine mothballed was unacceptable.

Union likely to drop campaign

The health service union Cohse looks set to drop its campaign against self-governing hospital trusts. The move would mean the 200,000-strong union, which represents about 20 per cent of health service staff, accepting the end of centralised collective bargaining in the NHS and concentrating on local deals. It would remain opposed to the principle of trusts.

US-style plea bargaining urged for courts

By Robert Rice, Legal Correspondent

THE Bar Council, the governing body for barristers, yesterday called for the introduction of a formal system of plea bargaining in England and Wales.

A system under which the judge indicates the likely sentence if a defendant pleads guilty and does not opt for a contested trial would cut delays and improve the efficiency of the Crown Courts, the Bar says.

This type of arrangement is common in the US but remains illegal in England and Wales, although not all forms of plea bargaining are outlawed. Arrangements by which the prosecution agrees not to proceed with a more serious charge if the accused pleads guilty to a lesser offence are quite common.

The difference between these arrangements and the US system is that no guarantees are made in the UK in respect of penalties or the sentence the accused will receive.

The Bar believes courts could not function properly without such arrangements but a more formal plea bargaining system is now needed.

In a report on ways of improving the efficiency of Crown Courts it says: "It is our belief that many guilty defendants would plead guilty if they knew what the sentence would be and that such a system would command public confidence."

At the moment it says defendants who know they are guilty will opt for trial and take a chance that a jury may acquit them.

The Bar rejects the Appeal Court's view that plea bargaining would impose "improper" pressure on defendants to plead guilty.

Safeguards could be introduced to protect the defendant's rights. All discussions on the deal should take place in the presence of the defendant and his legal advisers; discussion should be recorded; and indications of sentence should be made in court.

The report recommends the Appeal Court should issue minimum percentage discounts on custodial sentences where a guilty plea is put forward.

It should make it clear that a defendant is entitled to a credit for a guilty plea in all cases except where the sentence is fixed by law or the offence is so serious that that only a sentence in accordance with the full tariff is appropriate. The earlier the plea is made the greater the reduction.

The report prepared by Mr Robert Seabrook QC, also recommends the extension of standard fees for criminal legal aid work in the Crown Court. They eliminate cost and ensure quick payment and efficient use of public funds, the report adds.

Among other proposals the report calls for the introduction of video-conferencing facilities in prisons for interviews with defendants in custody; and an interactive computerised case listing and management system for Crown Courts in England and Wales.

Law Society warns of cash threat to training

The solicitors' profession is in danger of becoming limited to those with private means, the Law Society warned yesterday.

In a letter to Mr John Patten, education secretary, Mr Philip Ely, the society's president said the collapse of the discretionary grant system on the profession's finals course amounted to a "pre-qualification means test".

The College of Law, the largest provider of solicitors' finals courses, has told the society that the proportion of its income attributable to fees paid by local education authorities in England and Wales has halved over two years. The number of local authorities paying fees in full has declined similarly. The society calls on Mr Patten to make it mandatory that local authorities provide grants for the finals course.

Mr Ely said trainee solicitors are further disadvantaged by being excluded from two government schemes introduced recently.

Courses leading to professional qualifications have been excluded from the arrangements for tax relief to be given on the costs of vocational training; and, as the finals course is a postgraduate course, students are denied access to loans at favourable rates of interest offered by the student loan company.

The consequences "will be a narrowing of the social base from which the profession is drawn with a consequential reduction in confidence in and access to justice. That cannot be in the public interest", said Mr Ely.

IT DRIVES LI

The emerging consumer markets of central Europe have provided challenges and surprises for western companies, says **Guy de Jonquières**

Poles discover petfood is the cat's whiskers

Selling petfood for $1.50 a can might seem a thankless task in a country where monthly incomes average $150 (£82). But Mars, the US-owned manufacturer of Pedigree Pal, Whiskas and chocolate bars, has found a way.

"We tell our sales people to convince shopkeepers to open a can of petfood and taste it. Then they usually agree to stock it," says Andrzej Szwarc, national sales manager of DMS, a Warsaw company which handles Mars' sales and marketing in Poland.

Sales of Mars' petfood are now booming, says Szwarc, who knows one old lady who regularly shares a can with her cat. "And in all-night convenience stores, Whiskas is selling rather well with alcohol," he says.

Though few western companies have resorted to quite such unorthodox sales methods in central Europe, most have found that the region's emerging markets present challenges and surprises to which conventional marketing textbooks offer few solutions.

At first sight, the task seems deceptively easy. Consumers are eager for western products and many already knew of western brand names from watching western television long before the collapse of communism. Since then, consumer imports have flooded in and the region's nouveau riche classes have flocked to buy anything with a designer label.

White goods manufacturers Electrolux and Philips-Whirlpool say one of their best-sellers in Hungary is microwave ovens, almost unknown in the country two years ago.

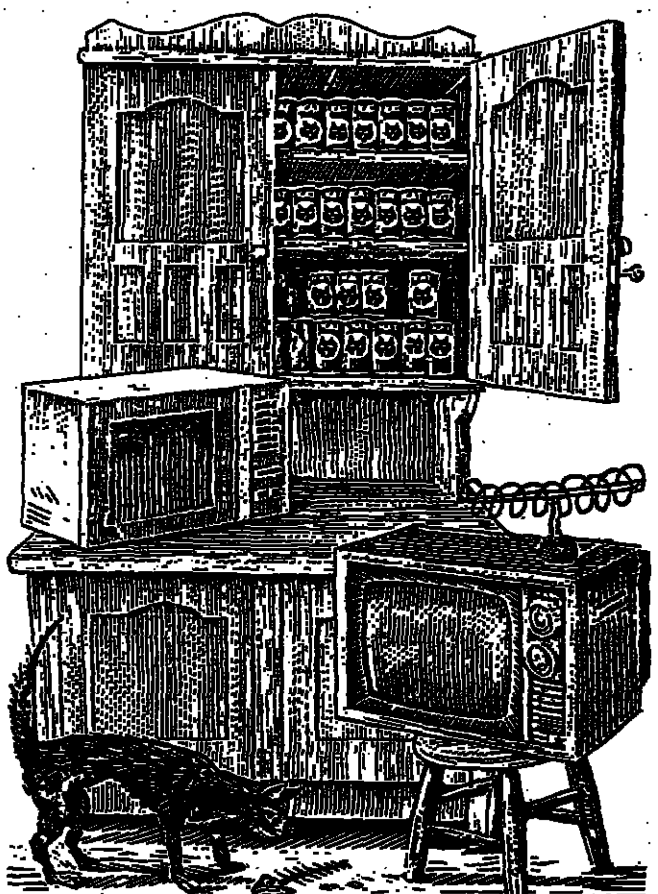
However, this commercial bombardment risks back-firing by antagonising consumers who have not before faced the full blast of Madison Avenue techniques and are bewildered by the region's lurching progress towards free markets.

Many foreign products in the shops have been dumped or imported illegally by middlemen interested in a quick profit, not in building a long-term business. Quality is often variable, deliveries erratic and pricing unpredictable. Rafael Lopez-Apparicio, general manager of Kodak in Hungary, says the result is confused consumers.

Michel Olszewski of Research International, a market research firm, believes uncontrolled and indiscriminate imports have hurt the image of western brands.

Building brand loyalty is a high priority for most western companies – and reaching mass markets is not difficult. In Poland and Hungary more than 90 per cent of homes have televisions and, despite recent rate increases, air time is relatively cheap.

The problem is choosing the message. "We aren't yet very clear about consumer habits," admits André Mico, head of Unilever in Hungary. "Western products are perceived as better, but that doesn't mean you can sell anything."



Many companies have plunged in with western-made commercials for western products – with mixed results. In Poland a commercial for Cola Cao, a Spanish chocolate drink, which featured a muscular black athlete, went down so badly that the product almost vanished from the market.

Procter & Gamble's heavy promotion of Vidal Sassoon's Wash & Go backfired in Poland when sales fell on rumours that the shampoo-conditioner caused hair loss. P&G's candid peak-time commercials for Allways, a sanitary tampon, have also proved controversial, while recent newspaper advertisements headlined "We respect the Poles" were regarded by many as condescending.

The company's commercials for Tampax and Ariel detergent have been better received. But many Polish consumers are baffled by the punch line of Henkel's German-made commercial for Persil, which translates as "You know what you have".

"The philosophy of most western companies is to sell first and understand the market later," says Eugeniuscz Smilowski of Pentor, a private Polish market research company. He also warns that hard-sell advertising can easily rebound by "creating suspicions that companies want to dump on us trash that they can't sell in the west".

Some companies, though, are praised for respecting local sensitivities. Unilever test-markets its central European advertising carefully and has continued a popular commercial developed by the Polish detergents maker it acquired last year.

To appeal to Poland's Catholic family tradition, Johnson & Johnson adapted a western commercial for its baby care products to include shots of a husband holding an infant and sharing household tasks. "We stopped just short of putting a cross round his neck," says Marek Janicki, managing director of ITI-McCann Erickson, the Warsaw agency which handled the commercial

In Hungary, Shell has included local scenes in a west European commercial, while Philips' sales of consumer electrical and electronics goods have benefited from a locally-made campaign.

"People have had enough of western commercials, they want something designed for them," says Miklos Cspregi, head of the Budapest office of Ogilvy & Mather, which developed the Shell and Philips campaigns. He also believes a trend may be developing in favour of local products. Benckiser of Germany has begun to stress in advertisements the local origin of Tomi, a detergent it makes in Hungary, while Unilever is using the theme "Produced locally to international standards" for products it makes in central Europe.

However, care is needed. Warsaw shopkeepers say sales of some previously imported western products fell after they were re-packaged with instructions in Polish, because consumers feared the goods were no longer genuine.

Opinions also differ about the use of "aspirational" advertisements depicting glamorous western lifestyles. The approach seems to work for familiar items like toilet soap. But for new and more sophisticated products, a more down-to-earth, educational treatment often seems to go down better.

But some western companies believe the power of advertising will remain limited until retail distribution improves. They are emphasising gaining control of the supply chain and ensuring that products are consistently available, in good condition and attractively displayed at the point of sale. Many bigger companies are also working with selected retailers to get them to offer better customer service.

But in such rapidly-changing and poorly understood markets, experimentation is likely to remain important for some time yet. As George Swirski, head of PepsiCo Foods International in Poland, puts it: "If you don't take risks, if you aren't prepared to make mistakes, then you don't deserve to succeed."

Supply chain in need of wholesale reform

Cuban cigars at £10 a box of 25, chocolate bars from Lesotho, imported Marlboro cigarettes 30 per cent more expensive than local ones ... the shops and crowded street markets of Poland often seem to obey the random economics of an Arab souk.

In Hungary, retailing is more orderly but still has its surprises. "You name it, Indian toothpaste, obscure Brazilian brands – you can buy almost anything," says André Mico of Unilever.

In both countries erratic deliveries mean that many products – particularly imported ones – come and go from the shelves without warning. Western expatriate shoppers quickly learn to buy their favourite items in bulk and store them at home.

For western companies seeking to do business in central Europe, the bewildering disorganisation of the region's distribution trade is one of the biggest and most frustrating obstacles.

In Poland, officials say liberalisation has trebled the amount of retailing space in the past three years. Ashley Summerfield of the Central Europe Trust, a London-based consultancy, reckons that 110,000 new outlets have sprung up, half of them pavement kiosks.

However, the government's failure to liberalise the property market has led to soaring shop rentals. These have increased more than 30-fold in central Warsaw, pushing many small retailers to the brink of bankruptcy.

Marc Pol, a three-year-old Polish company, has set up more than 50 supermarkets and cash-and-carry stores. However, Marek Mikuskiewicz, Marc Pol's president, admits that he now faces a shortage of capital and growing cash flow problems.

Though retailing reform in Hungary has been less sweeping, the sector was better placed to start with, thanks to the greater tolerance of its former communist rulers. Department stores and supermarkets are relatively common. Czemene, one of the largest chains, has been acquired by Julius Meinl, an Austrian retailer, which is renovating the stores and training staff in western techniques.

But an executive of a large western consumer products company operating in

Hungary, while applauding Meinl's efforts, says results will take time: "We find we can negotiate with Meinl at the top, but on the ground things don't work very well".

Wholesaling in both countries is also haphazard. Once dominated by state-owned monopolies, it has been thrown open to private competitors. Many are individuals whose only asset is a truck and who cannot guarantee delivery of products to their destination.

Determining trade creditworthiness is difficult for western suppliers, many of whom insist on payment in cash. Many western companies use their own newly-created sales teams to deliver products to larger stores.

Another obstacle to controlling the supply chain is the flow of illegal imports, which higher duties and tariffs have manifestly failed to check. As well as threatening western suppliers' efforts to establish orderly distribution, "grey" imports play havoc with pricing policies.

Andrzej Szwarc of DMS reckons that at least a quarter of all Mars bars sold in Poland are smuggled in. Though devaluations have increased their cost, Mars has had to reduce the retail price in the past year to avoid being undercut by unauthorised imports.

DMS is also trying to build retailer loyalty by working closely with larger outlets to improve standards of display, stock control and customer service. Many other suppliers of western products are adopting similar tactics. By building such relationships, they believe they are making worthwhile investments.

But even the most optimistic concede that it may be some time before those investments really pay off.

TECHNOLOGY

Wellcome's cures for despair

In the run-up to the drug company's share offer, FT writers look at its Aids and herpes treatments

FEW drugs have aroused more passionate feelings, for and against, than Wellcome's AZT – launched five years ago and still the only licensed treatment for HIV and Aids in most parts of the world.

A wave of enthusiasm carried AZT (also known by the trade name of Retrovir) through the development process at record speed. Less than three years passed between the discovery of its antiviral activity in November 1984 and regulatory approval in March 1987.

Instead of gratitude, Wellcome received an onslaught from US Aids activists who thought the UK company was profiting unreasonably from their suffering, by making patients pay several thousand dollars a year for AZT.

The furore over pricing died away after Wellcome cut recommended prices and doses of AZT. But the drug remains controversial, as critics draw attention to its side-effects and cast doubt on its effectiveness.

At one extreme are Peter Duesberg of the University of California, Berkeley, and his small but well-publicised band of followers. They attack the conventional medical view that Aids is a viral disease caused by HIV and they say AZT is a dangerous drug which can harm the patients and even cause Aids-like symptoms.

Such arguments outrage the medical establishment. The evidence for Duesberg's claim that AZT is "Aids by prescription" is "about as strong as saying that since many people with a toothache also take aspirin, aspirin causes toothaches", says Dai Rees, secretary of the UK Medical Research Council. "A number of careful clinical studies have shown that AZT can be beneficial to patients with Aids."

Tony Pinching, an Aids specialist at St Bartholemew's Hospital, London, says hostility to AZT is partly a reaction against "over-enthusiastic extrapolations" from some incomplete clinical trials, which exaggerated the benefits of the drug for Aids patients and particularly for people infected with HIV but not showing Aids symptoms.

"A lot reflects differences between people's dreams and aspirations and what they can actually prove from the data," Pinching says. Like most European doctors, he believes the clinical evidence that AZT prolongs the life of Aids patients is overwhelming, but he is less convinced by the evidence that early treatment of asymptomatic HIV carriers will help them in the long run.

AZT is a "nucleoside analogue" drug. It works by mimicking thymidine, one of the building blocks of genetic material. When HIV incorporates an AZT molecule instead of thymidine into its growing DNA chain, it jams the mechanism by which the virus replicates. AZT slows down the rate at which HIV infects cells of the human immune system but it cannot eliminate the virus, let alone "cure" Aids.

Scores of competing drugs are at various stages of development. Furthest advanced are two other nucleoside analogues: DDI (marketed by Bristol-Myers Squibb as Videx) and DDC (Roche's Hivid). DDI is approved in the US as a second-line therapy for Aids patients who are not responding well to AZT and similar approval is expected soon for DDC. Both drugs have side effects, though these do not include bone marrow suppression, which is the most serious problem caused by AZT.

Behind them are more nucleoside analogues – including the promising 3TC licensed by Glaxo from Biochem Pharma of Canada – and others which claim to work through a bewildering array of mechanisms. They include protease inhibitors, therapeutic vaccines (which aim to stimulate the immune response of people already infected with HIV) and even gene therapy.

In the short term, the newcomers will not necessarily threaten AZT's sales, because many specialists believe the best approach to Aids therapy is to use a combination of drugs including AZT. The main reason for this is that viruses are much less likely to develop resistance when two or more drugs are taken together.

Sales of AZT levelled off at about £170m a year during 1990 and 1991 but they are now growing again. London pharmaceutical analysts, who have studied Wellcome in preparation for this summer's share offer, predict growth of around 25 per cent a year up to 1994.

Progress after that will depend on whether the company can persuade large numbers of asymptomatic HIV carriers to take AZT in an effort to ward off Aids symptoms. And that will require clinical evidence good enough to overcome the widespread antagonism to AZT.

Clive Cookson

REMEMBER herpes? In the early 1980s a herpes epidemic, carried on a tide of sexual promiscuity, appeared to be sweeping through the west. Then along came Aids. Herpes sank from public view.

The disease is still incurable and its incidence is still growing. Up to 40 per cent of US citizens have recurrent cold sores caused by the herpes virus. As for genital herpes, an estimated 20m US citizens are infected.

Paradoxically, herpes has become even more significant since the discovery of HIV. Clinicians believe that individuals with lesions caused by herpes transmit the HIV virus more easily. Effective treatment of herpes may therefore help prevent the spread of HIV. In addition, Aids patients become highly vulnerable to viruses of the herpes family, which can prove fatal.

Analysts at Barclays de Zoete Wedd, the UK brokers, estimate that the world market for anti-herpes drugs increased from \$35m (£19.2m) in 1981 to \$1bn last year. Wellcome, the leading anti-viral drug company, has about 70 per cent of this market. Its best-selling drug is Zovirax, which last year generated sales of £471m.

Zovirax is a guanine nucleoside analogue which is inert and non-toxic to normal cells. However, when the drug enters a cell containing the herpes virus it reacts with an enzyme created by the virus to become a triphosphate. Once converted, the triphosphate interacts with the virus' DNA structure and stops the virus replicating.

The mechanism is similar to the effect of AZT on HIV. Zovirax cannot eliminate the herpes but by preventing the virus multiplying it reduces the effects and length of herpes attacks.

After the drug was licensed in 1981, Zovirax also began to be used to prevent herpes recurring. A recent five-year study demonstrated that patients with recurrent genital herpes treated with Zovirax were seven times less likely to have another attack.

The drug has also been licensed for herpes-related diseases. One is cytomegalovirus (CMV); another is varicella zoster which causes chickenpox and shingles.

Much of the sales growth of Zovirax is likely to come from the treatment of shingles, which often affects the elderly. About four people per 1,000 over 65 years old contract shingles. Zovirax only received a US licence for shingles in 1991 so Wellcome has just started to exploit the market.

However, because the zoster virus is less susceptible to Zovirax than herpes itself, the dosing needs to be at least four times greater. BZW estimates sales for shingles alone will be worth £100m over the next two years.

The medicine is also being used for transplant patients infected with CMV or shingles. About 31,400 people received transplants in the US last year and the number is growing by between 12 and 15 per cent a year.

Transplant patients are given immunosuppressants to prevent their immune systems rejecting the organ. But an additional effect is to make the patients highly vulnerable to herpes-related diseases. Myron Levin of the University of Colorado estimates about 40 per cent of bone marrow patients have zoster and about 75 per cent CMV. Both diseases are capable of killing the patients.

Hoare Govett, the UK brokers, estimates that increasing use of Zovirax for herpes, transplant and Aids patients will allow sales to increase from £471m last year to £875m by 1994.

Competition to Zovirax at present is limited. Any new drugs will need to demonstrate they are safer, more effective, or more powerful and so need less frequent doses.

SmithKline Beecham, the Anglo-American group, is developing two compounds, Famcyclovir and Penciclovir. Both are better absorbed than Zovirax and work longer.

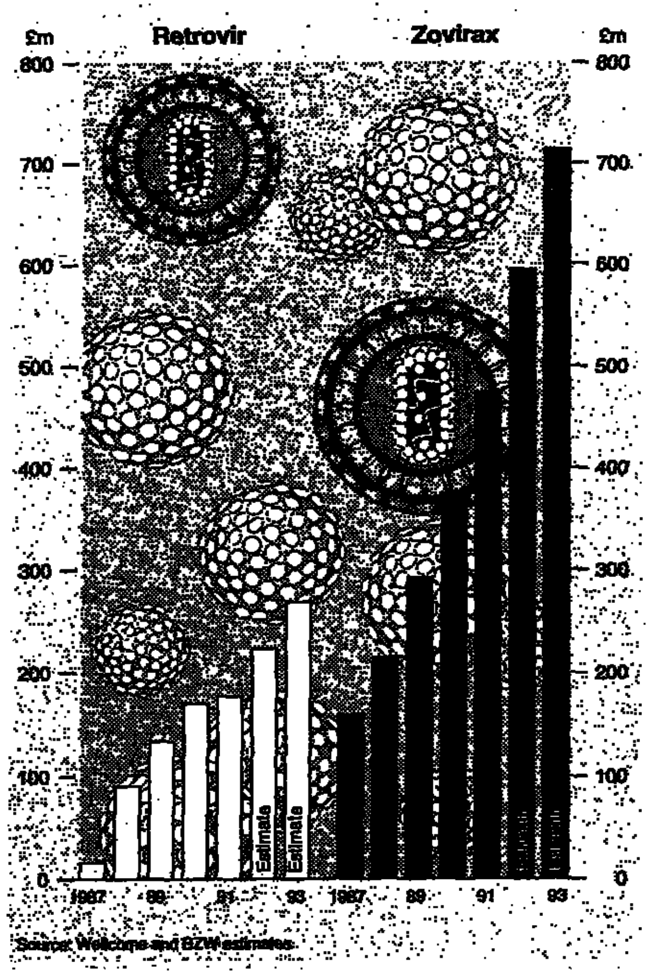
Meanwhile, Wellcome is developing two compounds, known as 256U87 and 882U87. At a recent conference in Berlin on herpes, clinicians were told that 256 was absorbed into the body three to four times more readily than Zovirax, the existing treatment. The drug is in late clinical trials.

Meanwhile, 882 has been shown to be highly effective against CMV. The drug is in earlier clinical trials to determine the right dosing.

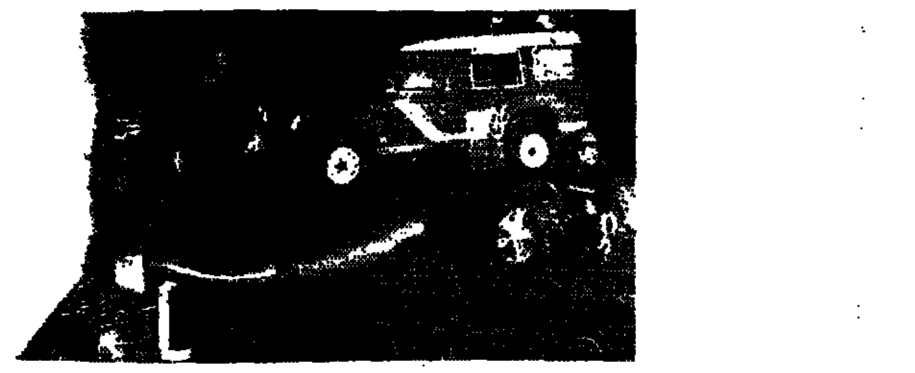
Wellcome hopes to have both 256 and 882 on the market during the mid-1990s. In the meantime, human behaviour being what it is, demand for its viral products will continue to increase unabated.

Paul Abrahams

Wellcome: antiviral sales



Source: Wellcome and BZW estimates



Water power used for fire-fighting

By Andrew Baxter

Tragedies such as the fire on a British Airtours Boeing 737 at Manchester airport in 1985 have underlined the need for novel approaches to ensuring aircraft safety.

The disaster, in which 55 people died, was one of the worst in British aviation history. Seven years later comes the launch of a range of products powered by a technology that gives new meaning to fighting fire with water.

The spearhead of the new approach, developed by Hull-based Fenner Water Hydraulics, is precisely that – a Fire Spear which drills through an aircraft side in seven seconds, and then switches to a high-pressure water spray. The system is based on innovative water motors, which use water both as a power source and a lubricant.

The spear is an apt first application for a revival of commercial interest in water hydraulics, neglected since the development of hydraulic oils but now making a comeback.

The Fire Spear, now being evaluated by a number of European civil aviation authorities, creates a "water curtain" – a fine mist which can envelop toxic gases and drop them to the floor, preventing the sudden spread of fire in an effect known as flashover.

The key to the system is the broad application of Fenner's pump and motor technology. With water as the power source, a fireman can quickly run a hose out to the fire and then decide whether to use the Fire Spear or attach a cutting tool or saw, says John McCullough, Fenner project director.

The rotary equipment such as the spear and saw developed by Fenner are water-lubricated, but its water intensifier pump for linear equipment – such as the cutters known by firemen as "Jaws of Life" – will be able to handle water or oil-lubricated tools.

According to McCullough, the new system has a number of advantages other than speed. It is quieter than the petrol-powered oil power pack currently used for fire-fighting equipment, reducing stress for the accident victims. And, in contrast to pyrotechnic processes used to start much fire-fighting equipment, it can be turned on and off at will.

The package of mobile fire-fighting equipment is being marketed worldwide by Warwick-based Godiva. Andrew Thompson, sales and marketing director, intends to develop the UK market first for the linear hydraulic tools, and has won the first order from a UK fire brigade. But he sees the Fire Spear as having immediate international appeal.

McCullough, meanwhile, has been investigating other applications for Fenner's water motors, which are one third the size of equivalent electric motors. In particular, he sees an opportunity in replacing sprinkler systems currently using halon, an ozone-damaging gas which, according to the 1989 Helsinki declaration on CFCs, should be phased out as soon as feasible.

Other applications could include subsea work, where only a single line would be needed. "In diving, you don't need the water back," says McCullough. In modified form, the system could run on salt water.

FT LAW REPORTS

Shareholders' agreement is valid

RUSSELL v NORTHERN BANK DEVELOPMENT CORPORATION LTD AND OTHERS
House of Lords
(Lord Griffiths, Lord Jauncey of Tullichettle, Lord Lowry, Lord Mustill, Lord Slynn of Hadley):
June 11 1992

PART OF an agreement by which shareholders, without binding future shareholders, agree personally between themselves as to the manner in which they will exercise their voting powers on the creation of share capital, is enforceable and severable from that part of the same agreement which is unenforceable in that the company agrees to fetter its own statutory power to create capital.

The House of Lords so held when allowing an appeal by Mr Samuel Russell from a decision of the Court of Appeal in Northern Ireland that an agreement between him and the defendant shareholders of Tyrone Brick Ltd (TBL), a company set up by the first defendant, Northern Bank Development Corporation Ltd, was invalid.

LORD JAUNCEY said that during the 1970s Northern Bank and its wholly owned subsidiary, Corporation, lent or invested substantial sums in two brickmaking companies in Killough, County Down, and Dungannon, County Tyrone.

The former was unsuccessful whereas the latter prospered.

In 1979 Corporation devised a scheme whereby control of both companies came to be vested in a new holding company, TBL, with an authorised share capital of £1,000 divided into 1,000 shares of £1 each.

An essential part of the scheme was that the four executives who ran the Dungannon works should manage TBL. To that end 20 shares in TBL were allotted to each of them. A further 120 were allotted to Corporation, but no allotment was made of the remaining 800. On November 14 1979 a shareholders' agreement was executed by the four executives including Mr Russell, and by TBL. Although TBL bore to be a party to the agreement, it never executed it.

The agreement provided *inter alia* that whereas Corporation and the executives were the holders of the entire issued share capital, and the shareholders had agreed to regulate their relationship with regard to management and control of the company, the terms of agreement should have precedence over the articles of association.

Clause 3 provided that "no further share capital shall be created or issued . . . without the written consent of each of the parties hereto".

On March 10 1988 the TBL board gave notice to shareholders of an extraordinary general meeting on March 30 to consider two ordinary resolutions:

(1) that the capital be increased to £4m by the creation of £3.999m ordinary shares of £1 each ranking *pari passu* with the existing issued ordinary shares; and

(2) that it was desirable to capitalise the £3.999m and, accordingly, that the directors be authorised and directed to appropriate the sum for distribution to the holders of the ordinary shares in proportion to the amounts paid up.

Before the meeting Mr Russell issued a writ against the other original shareholders, claiming an injunction to restrain them from voting on the resolutions.

The parties went to trial on the issue whether the arrangement was binding on all the shareholders, including Corporation which had not executed it. On that issue Mr Russell was successful and no further question thereanent arose.

However, during the trial Mr Justice Murray of his own motion ordered that TBL be joined as defendant, and dismissed the action on the ground that article 3 of the agreement constituted an attempt to fetter TBL's statutory power to increase its capital and was accordingly invalid.

The Court of Appeal by majority (Lord Justice MacDermott dissenting) upheld the conclusion on invalidity, and dismissed the appeal.

At the date of the proposed extraordinary general meeting TBL had statutory power to increase its share capital.

The issue was whether article 3 of the agreement constituted an unlawful and invalid fetter on that statutory power, or whether it was no more than an agreement between shareholders as to their manner of voting in a given situation.

Both parties accepted the long-established principle that a company could not forgo its right to alter its articles *(Southern Founderies v Shirlaw [1940] AC 701)*.

The principle must apply also to the right of a company to alter its memorandum.

Mr McCartney for Mr Russell argued that the agreement did not contravene the principle, in that it was merely an agreement between shareholders outside the scope of company legislation, which in no way fettered TBL's power to alter its memorandum and articles.

Mr Girvan for the defendants submitted that the agreement was not only a voting arrangement between shareholders *inter se*, but was tantamount to an article of association which constituted a restriction of TBL's power to alter its share capital.

While a provision in a company's articles which restricted its statutory power to alter those articles was invalid, an agreement dehors the articles between shareholders as to how they should exercise their voting rights on a resolution to alter the articles, was not necessarily so.

In *Walton v Saffery [1897] AC 299,331* Lord Davey accepted that shareholders might lawfully agree *inter se* to exercise their voting rights in a manner which, if it were dictated by the articles and binding on the company, would be unlawful.

The agreement was intended to regulate the relationship between the shareholders with regard to management and control of TBL.

However, it was executed not only by the shareholders, but also by TBL.

In *Bushell v Faith [1929] 2 Ch 438,447* Lord Justice Russell said a company could not "by its articles or otherwise" deprive itself of its power to alter its articles. He said such an article was ineffective, "but a provision as to voting rights which has the effect of making a special resolution incapable of being passed if a particular shareholder . . . exercises his voting rights against a proposed alteration, is not such a provision".

If clause 3 had been embodied in the articles of association so as to be binding on all persons who were or might become shareholders in TBL, it would have been invalid. But it was not so embodied.

The significant part of Lord Justice Russell's dictum was "articles or otherwise".

Those words appeared to recognise that it was not only fetters on the power to alter articles of association imposed by the statutory framework of a company which were obnoxious.

The purpose of clause 3 appeared to be twofold. The shareholders agreed only to exercise their voting powers in relation to the creation or issue of shares in TBL if they and TBL agreed in writing.

That agreement was purely personal to the shareholders who executed it, and did not purport to bind future shareholders. It was just such a private agreement as was envisaged by Lord Davey in *Walton v Saffery*.

TBL on the other hand agreed that its capital would not be increased without each shareholder's consent.

That was a clear undertaking by TBL in a formal agreement not to exercise its statutory powers for a period which could last for as long as any one of the parties to the agreement remained a shareholder, and long after the control of TBL had passed to shareholders who were not party to the agreement.

As such an undertaking it was as obnoxious as if it had been contained in the articles of association, and was therefore unenforceable, being contrary to article 131 of the Companies (Northern Ireland) Order 1986.

TBL's undertaking was, however, independent of and severable from that of the shareholders, and there was no reason why the latter should not be enforceable by the shareholders *inter se* as a personal agreement which in no way fettered TBL in the exercise of its statutory powers.

The appeal was allowed.

Their Lordships agreed.

For Mr Russell: Robert McCartney QC and John Thompson (Sharpe Pritchard).

For the defendants: Paul Girvan QC and Ben Stephens (Herbert Smith).

Rachel Davies
Barrister

PEOPLE

Clive Strowger (left), who resigned as chief executive of the troubled Mountleigh property group last September, seems to have been rehabilitated in the eyes of the City establishment. He is to take over as group chief executive of APV, the world's biggest food machinery maker. *(see Observer)*

APV has been looking for a new chief executive for many months following the early retirement of Fred Smith who had headed the group since 1984. Strowger, 50, a former finance director of Grand Metropolitan, is returning to the other side of an industry he knows well. During his 12 years at GrandMet he headed the brewing, consumer services, foods and retail and property divisions.

APV also announced yesterday that Richard Fenny (right), 42, has been hired away from Fluor to be director of the group's liquid foods division. He replaces Mike Smith, who resumes the role of corporate development director.

Watson ends family monopoly of Waddington

While the game may be over for Robert Maxwell's tangled web of companies, Victor Watson (right), the chairman of Waddington who yesterday announced his plan to retire in 1993, can claim to have fingered the publishing baron almost a decade ago.

Watson, the last in a line of Watsons at the Waddington helm which started in 1913, successfully fended off two bids from Maxwell, partly because of the discovery by his advisers Kleinwort Benson of the publisher's murky Liechtenstein connections.

Watson fought off two other bids during his 40 years at Waddington: from Mordon in 1965 and Norton Opax in 1983. The latter, says Watson, was the spark for Maxwell's first attempt on Waddington. "He was like a shark who smelled blood," Watson once said.

His stalwart defence of the games-to-packaging company is in keeping with family tradition. His grandfather, a Leeds lithographer, originally rescued Waddington from liquidation in 1913.

Watson's father – and predecessor as chairman – later revived an again-flagging Waddington by inventing a machine to mass-produce playing cards. Watson Jr, now 63, plans a working retirement on the boards of, among others, Yorkshire Television and John Foster and Sons.

Although his successor has not been named, former chief executive and ex-England rugby captain, David Perry (left), has been appointed deputy chairman.

■ **John McKeown**, managing director of Ansells, Allied-Lyons's Birmingham-based pub company, is to resign the position to concentrate on his role as retail services director for the group's retailing division.

McKeown, who joined the group in 1972, will be responsible for identifying and implementing best retailing practices throughout the sector, which covers Allied's international franchise business, UK pubs and off-licences.

He will also be directly responsible for acquisitions, purchasing and leisure machines across the UK pub operations.

Martin Grant, who joined Allied from Whitbread two years ago, and at present heads Ansells' retailing operations, will succeed McKeown as md of the pub company.

■ **John Camden**, chairman of RMC Group, is to relinquish his executive responsibilities to the group md Jim Owen, but will continue as non-executive chairman.

■ **Henry Drea and Edwin Stallard** have been appointed to the board of AVONMORE FOODS.

■ **John Sandiford** has been appointed a director and company secretary of SERIF *COWELLS*.

■ **Terry Arthur** has been appointed an independent trustee of the board of WIGGINS TEAPE PENSIONS.

■ **Alastair Channing**, deputy md of Associated British Ports, and **James Shaw**, md of Grosvenor Square Properties, have both been appointed to the board of ASSOCIATED BRITISH PORTS HOLDINGS.

■ **Michael Smith** has been appointed to the board of BOWATER.

■ **Nicholas Hodges**, md of LIG's European division, has been appointed a director of LONDON INTERNATIONAL.

■ **Peter Robinson** has been appointed chief executive of BIWATER.

■ **Brian Whitford** has been promoted to md of RACAL HEALTH & SAFETY.

■ **Bob Dodd** has been appointed to the board of MOBIL OIL COMPANY as director, personnel.

■ **George Van Sant** is relinquishing his role as director, employee relations and personnel matters of LAWSON MARDON Group, Europe, and is appointed a director of LMG Smith Brothers.

■ **James Schemenaur**, president and chief executive officer of BARRY WEHMILLER INTERNATIONAL's Inex Vision systems division, has been appointed to the main *board*.

Taking an early shower

Christopher Wilson, who always knew he preferred bathrooms to coal, is leaving Young, the Durham-based mining and haulage company, after less than a year as finance director.

Over-extension at Young helped to prompt the removal of company founder Bob Young as chairman and chief executive and the arrival of a new management team earlier this month. With the help of new financial backers, Young is refocusing its activities in readiness for opportunities likely to arise from the privatisation of British Coal.

Wilson, who departs with effect from an extraordinary general meeting (to approve the refinancing) probably in August, is cagey about his new endeavour. But he terms it a personal decision, adding that he is responding to the chance to become chief executive of, and a shareholder in, a new London-based company in an area "not far off" bathrooms – an already familiar field.

Brian Calver, the new group managing director, says: "He hasn't told me what it is. I think a friend of his is setting something up." He remarks that he is sorry to see Wilson go but denies there is any wider significance in the departure. "He has seen greener pastures, as happens in business."

***Wilson's previous experience* includes a spell between 1984 and 1988 as finance director of Smallbone, an upmarket manufacturer of customised bathrooms and kitchens, which was acquired by Williams Holdings. Wilson then led a management buyout of bathroom products specialists B C Sanitan, part of Smallbone, from Williams. But the mbo fell short of its targets and Wilson left in 1990. He describes himself as having "kicked around" before getting into the coal business.**

FIRST AUSTRALIA PRIME INCOME INVESTMENT COMPANY LIMITED
International Depositary Receipt
issued by
Morgan Guaranty Trust Company of New York

Notice is hereby given to the shareholders that:

Payment of coupon number 45 of the International Depositary Receipts will be made in US dollars on or after June 22, 1992 at the rate of US$0.092 per ordinary share at the following offices of Morgan Guaranty Trust Company of New York:

– New York	30, West Broadway
– Brussels	35, Avenue Des Arts
– London	1, Angel Court
– Frankfurt	44/46 Mainzer Landstrasse

The dividend is not subject to any Australian tax. A commission of US$0.001718 will be deducted from the gross amount. The Belgian withholding tax will be applicable to IDR holders presenting their coupons to the offices of the Depositary without the appropriate non-Belgian resident certificate.

Depositary: Morgan Guaranty Trust Company of New York
35, Avenue des Arts, 1040 Brussels

CONTRACTS & TENDERS

In The Name of God
International Tender Invitation
No.: 14/38

Tehran Pipe Manufacturing Company "Private Joint Stock" (T.P.M.C)
Intends to Tender,:

Design, Engineering, Supply & Delivery of
Plant's Machinery & Equipment to the Site, Supervision on
Erection, Testing, Start-up, Commissioning & Remedy of Defects for :

VITRIFIED CLAY PIPE MANUFACTURING PLANT
(35,000 Tonnes Annual Capacity)

Interested bidders must pay 500,000 /- Rials to account No.: 5329 Bank Melli Iran "Farokhy branch" at Valieasr Ave. close to Africa Cinema, Tehran, and submit the receipt to:

TEHRAN PIPE MANUFACTURING COMPANY
21, Eftekhar St, Valieasr Ave, Tehran (15956), Iran

in person or by post to receive Tender Documents. The last date to submit proposals is set to be August 17, 1992 (08-17-1992).

Tehran Pipe Manufacturing Company.
"Private Joint Stock" (T.P.M.C)
Affiliated to Ministry of Energy.
TEL : 021 - 897468
FAX : 021 - 4492593
TLX : 214399 IVIT IR

LEGAL NOTICES

IN THE MATTER OF THE INSOLVENCY ACT 1986
AND
COMPRESSOR ENGINEERING SERVICES LIMITED

Notice is hereby given pursuant to section 48 of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above mentioned company will be held at the offices of Cork Gully, Abacus Court, 6 Minshull Street, Manchester M1 3ED on Thursday 2 July 1992 at 11.00am, for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver under Section 48 of the said Act and if thought fit, appointing a committee.

A creditor is entitled to vote only if he has sent to the Administrative Receiver, not later than Wednesday 1 July 1992, details in writing of the debt that he claims to be due to him from the company and the claim has duly been admitted under the provisions of the Insolvency Rules 1986 and that it has been lodged with the Administrative Receiver at Cork Gully, Abacus Court, 6 Minshall Street, Manchester M1 3ED prior to the meeting, together with any proxy which the creditor intends to be used on his behalf.

Signed: M Palios
Joint Administrative Receiver

RESISTA FLOORING LIMITED
CARPET LIBRARY LIMITED
CRABTREE CARPETS LIMITED

Notice is hereby given that meetings of the unsecured creditors of the above companies will be held pursuant to section 48(2) of the Insolvency Act 1986 at the offices of KPMG Peat Marwick, Aquis Court, 31 Fishpool Street, St Albans, Hertfordshire AL3 4RF on 2 July 1992 at 2:00 pm, 2:30pm and 3:00pm respectively, for the purpose of receiving the reports of the Administrative Receivers and, if thought fit, appointing creditors' committees. A creditor will be entitled to vote only if a written statement of claim is submitted to me at the above address by 12 noon on 1 July 1992 and if the claim is submitted for voting purposes. Any proxies that are intended to be used must be submitted to me before the meetings. A creditor whose claim is wholly secured is not entitled to attend or be represented at the meetings.

Date 11 June 1992.
Anthony B Thompson
Joint Administrative Receiver

COMPANY NOTICES

BRADFORD & BINGLEY
BUILDING SOCIETY

£100,000,000
Floating Rate Notes due 1995
(Issued 15th June, 1992)

In accordance with the terms and conditions of the Notes, the interest rate for the period 15th June, 1992 to 15th September, 1992 has been fixed at 10.1875% per annum. The interest payable on 15th September, 1992 against the First Coupon will be £256.08 per £10,000 nominal.

Agent Bank
ROYAL BANK OF CANADA

ART GALLERIES

ARTS

Cinema

Empty lovers

THE LOVER
Jean Jacques Annaud

PARADISE
Mary Agnes Donoghue

AUTOBUS
Eric Rochant

HOMEWORK
Jaime Humbert Hermosillo

STONE COLD
Craig R. Baxley

The onslaught of saucy TV advertisements and rumours of actual on-camera sex seem to suggest that *The Lover* is going to be this season's sophisticated erotic offering; a legitimate skinflick on a par with *Betty Blue* or *Last Tango in Paris*. In the event, the film proves to be a strangely staid and uninvolving experience. Based on Marguerite Duras's bestselling novel, it tells the story of an impoverished 15-year-old French girl (Jane March) who enters into an affair with a wealthy, 32-year-old *Chinaman* (*Tony Leung*) in 1930s Vietnam. They meet on a barge crossing the Mekong River and are soon spending afternoons making prolonged love in his bachelor pad in the city's noisy, exotic Cholon district. Despite the intense intimacy of these sessions, it soon becomes clear that their relationship is doomed by the mutual racism of their families and the unbridgeable chasm between their cultures.

Director Jean-Jacques Annaud has stretched Duras' brief novel into a big, sumptuous picture, beautifully shot and impeccable in its detailed evocation of colonial Vietnam. When he trains his camera on the swollen Mekong River or the tatty sprawling colonial buildings of old Saigon, you get a real sense of what the last days of that particular empire must have looked and sounded like. He also draws a convincing portrait of the girl's rancorous, dissolving family, hating one another yet forced by their poverty and foreign status to cling together. Most notable here is Arnaud Giovaninetti as the dissolute eldest son, particularly when he mocks his mother's tears as the boat taking him home in disgrace leaves harbour.

Where the film proves sorely lacking is its depiction of the central relationship. Despite the graphically sweaty love scenes and those languorous silences in the back of limousines, the affair between the unnamed French girl and Chinese man fails to ignite. Annaud and co-writer Gerard Brach seem to think that writhing nudity in some way excuses the cool, detached banality of the clothed scenes. As a result, you never really feel the risk and passion involved as the lovers break cultural taboos. They are just a couple having lots and lots of sex. To make matters worse, Marsh proves unable to evoke her character's simultaneous sexual and moral awakenings, the very qualities that made Duras' novel so memorable. She seems old beyond her years before the affair even begins, a sort of petulantly pubescent *Emmanuelle*. *The Lover* is like its heroine, nice to look at but hard to like.

Paradise is an oddly palatable *serving* of cinematic syrup. It tells the story of a 10-year-old boy (Elijah Wood) who is sent off from his big city, single-parent home to spend the summer in the southern coastal town of Paradise. At first, the place seems unlikely to live up to its name, with his host couple (Don Johnson and Melanie Griffith) going through a decidedly rough marital patch engendered by the accidental death of their own son a few years back. Gradually, however, the boy, who has problems of his own with his father's recent abandonment, proves a salve for everybody's psychic wounds.

It is not hard to see how this sort of coming-of-age, coming-to-terms saga could have gone disastrously wrong, especially as it emanates from that bottomless well of sentimentality, Disney's Touchstone Pictures. But writer/director Mary Agnes Donoghue manages to keep things pretty well under control, using low-key humour and a nicely wistful pace to avoid bludgeoning the viewer's sensibilities. She is greatly aided by the impressive Wood, as well as by Griffith and Johnson, who turn in handsome and restrained performances. Only with a needless sub-plot involving tomboy Thora Birch and her wayward father does the film go over the top.

A very different form of sentimentality is at work in *Autobus*, a witty and anarchic look at youthful alienation, French style. It tells the story of a young man (Yvan Attal) who decides to hitch a ride to see his girlfriend. He accomplishes this by the rather unorthodox step of hijacking a bus loaded with school children in what turns out to be a weird attempt to impress the girl with his devotion. Quickly dubbed "The Sentimental Terrorist" by the press, he eludes the police for nearly two days before finally reaching his goal, winning over along the way the bus's kids, tough guy driver and supervising teacher.

Despite the rather improbable subject matter, writer/director Eric Rochant has created a funny, charming story that pokes fun at itself without undermining its feeling. As with his fine first film, *A World Without Pity*, Rochant pulls of the nearly impossible stunt of being a full-blown romantic without giving in to corniness or pretension.

Homework, by the Mexican director Jaime Humbert Hermosillo, is a clever piece of celluloid wit that will probably only appeal to the pasty souls who haunt arthouse cinemas. Set entirely in the study of a small apartment, it shows the efforts of Virginia (Maria Rojo) to complete an assignment for her film class, which seems to involve making an hour's worth of uncut documentary footage. To do this, she hides her camera under the table and then invites over an ex-boyfriend (Jose Alonso) with the intention of taping her seduction of him – without his knowledge. He spots the camera and storms off just before they graduate from heavy petting, only to return a short while later, his interest and male vanity piqued.

More a cunningly ironic essay on cinematic voyeurism than a full blooded film, *Homework* proves too slight to carry the viewer the distance, even with the twist ending. It is notable primarily for a sequence of sexual gymnastics in a hammock which would make the leads in *The Lover* blush and seems to indicate that the Mexico has yet to ratify the Law of Gravity.

The makers of *Stone Cold* seem intent on suspending other laws, such as those governing common sense and decency. The story, such as it is, concerns a renegade cop (Brian Bosworth) who infiltrates a Mississippi motorcycle gang to bring them to justice. He succeeds, but only after they massacre the entire Mississippi Supreme Court, which does not seem like much of a victory for the forces of good. Bosworth is a former American Football star with a face right out of Marvel Comics and a body that looks like 15 stone of bleached beef. The film ends up nothing more than a pacey bloodbath in which motorcycles, naked women and gunshot wounds are served up with equal dispassion.

Stephen Amidon

Jane March and Tony Leung in Jean-Jacques Annaud's adaptation of Marguerite Duras's book

Theatre/Malcolm Rutherford

The Rise and Fall of Little Voice

Jim Cartwright's new play at the Cottesloe opens in the dark with some dissonant music, screams and a harsh Lancashire voice in the background. When the lights go on, a garish-looking woman is sick in the sink. Then the fuses blow because the electricity system in this northern English town, 1992, cannot bear the record player and the electric kettle being turned on at the same time. There is lot of swearing and some brutality.

The Rise and Fall of Little Voice proceeds in this provocatively disagreeable way for about 20 minutes. Yet since Cartwright is one of the most promising English playwrights, it is worth holding on: there are surprises to come. *Little Voice* has at least one startling *coup de théâtre* and, in this production by Sam Mendes, outstanding performances all round.

The title is Cartwright's longest so far. His previous plays were called *Bed* and *To* in that order, but even *Little Voice* can be abbreviated to *LV*, and usually is. LV is the daughter of the garish-looking woman, Mari Hoff. She is called Little Voice because nobody could hear what she said as a child or, perhaps more accurately, because she never tried to speak up.

She has been left a collector's gem of long playing records by female vocalists by her father, Frank. Mari's main memory of Frank is how embarrassing it was at the registry office to sign off as Mr and Mrs F Hoff, which broadly speaking is what Mari then did.

LV not only listens to the LPs incessantly – fuses permitting; she learns from them. The theatrical coup comes when she is overheard (not by her mother) singing to herself. Shirley Bassey, Judy Garland, Cilla Black, Gracie Fields, Billie Holiday, Edith Piaf, Marilyn Monroe, she can do the lot. It may seem an odd mix, but if you see the play you will understand why. The clue is Gracie Fields: Cartwright is a consciously north country writer.

LV is played by Jane Horrocks. It is an immensely challenging part. Not only does she have to go through the whole singing repertoire; she also has to play the mixture of hurt little girl and potential star. Some of Ms Horrocks's facial expressions are superb. In the singing role I thought that she flagged slightly as the show went on. Given confidence and audience support, however, this could grow into an unforgettable performance.

The play has its imperfections. There is an excess of sentimentality. The romantic sub-plot about the equally little-voiced British Telecom engineer who is as devoted to lasers as is LV to singing does not quite work. The suggestion at the end that LV has risen, fallen and risen yet again under the BT influence is at odds with the title.

The sight of the mother, drinking Alka-Seltzer from a dirty milk bottle because it is less filthy than the cups in the sink, over-pushes the squalor. I did not enjoy watching Alison Steadman playing this part, but I admired her performance – and her commitment to stick to it – no end.

The minor part that comes off like a charm is George Raistrick as Mr Boo, the slightly Asian-looking impresario who presents LV at the local club. As John Osborne keeps reminding us, it is always useful to have a spot of music hall.

As a play, *Little Voice* is not quite as good as *To*, which was shown at the Young Vic 18 months ago, largely because it is less well structured. But one has begun to look forward to whatever Cartwright comes up with and to anything directed by Sam Mendes.

Cottesloe, Royal National Theatre. In repertoire. 071 928 2252

Ubu

Alfred Jarry (1873-1907) wrote the first of his four *Ubu* plays in 1896. It ran for two nights at its opening, and has been perplexing audiences ever since. Now, the Nada Theatre has taken its Avignon Festival version of the *Ubu* plays on tour: this makes anarchic, playful and life-enhancing theatre. Jarry wrote the original for puppets. Nada use fruit & veg. They tell a tale of regicide, state ceremony, political intrigue, insurrection and war. The cast amounts to two actors and a battalion of "fruits et légumes": leeks, potatoes, cabbages and celeriac. The exotica arrive in the form of "ananas" and "pamplemousse". Vegetables without stage presence (mushrooms, peas, jerusalem artichokes) need not apply. But the cast still needs a little purple *asparagus* for the regal touch.

Ubu feels like an allegory for something else; but, as befits a play adored by the high surrealist Guillaume Apollinaire, it signifies nothing. Through the alchemy of theatre, anything can mean anything: or as Hans Arp used to say, "the tongue is a chair".

The play does provide a full platter of madness and invention. The range of the actors (Babette Masson and Guilhem Pellegrin) beggars belief. Masson's voice soars to become a bagpipe at a military parade and plummets to mimic the gravelly tones of a palace guard. She controls the vegetable-puppets and *wields* the vegetable-weapons. Pellegrin negotiates the wonderful mimming: including a stage horse and a final voyage out, done with some water in a zinc bathtub. As the actors commune with the vegetables, one is gradually implicated into the winning absurdity of the evening. Where conspirators are cabbages, the *"noblesse"* leeks, and high financiers yellow peppers; life in the kitchen garden suddenly seems to apply everywhere. *Ubu* is acted in French, and lasts a breathless and exhilarating hour.

Andrew St George

Tour: Warwick Arts Centre (June 15-16); Manchester Green Room (June 18-20); Glasgow Tramway (June 22-24): all details on 041-422-2023.

Ballet/Clement Crisp

Rambert Dance Company

The opening programme of the Rambert season on Tuesday night was a convincing portrait of the company as it has been shaped by Richard Alston. Two new works, from six the troupe has created during the past year; design by Richard Smith and Paul Huxley that marks a continuing involvement with distinguished painters; serious modern scores – Nigel Osborne, David Sawer, Frederic Rzewski – that inspire movement no less varied and intriguing. The image is bright, fresh, and we are braced by what we see.

The evening opened with Alston's *Wildlife*. Dating from 1984, it is one of his best pieces. Beneath the luminous shapes of Richard Smith's pendant kites, the choreography explores activities – watchful, sportive, erotic – that belong to the fauna of some other world. Nigel Osborne's score is varied in texture, and Alston responds with vivid incidents: a serene nocturne for Amanda Britton; a sensual duet for Alexandra Dyer and Paul Old; a group dance that buoyantly matches the gamelan echoes of the score. Here is an abstraction of animal behaviour that seems all the more potent, and true, for not being specific.

Alston's newest work is *Cat's Eye*, with a score by David Sawer whose punchy rhythms are well suited to dance, and with handsome design by Paul Huxley – rectangles of solid colour, flown against a midnight blue cloth, that make the stage area seem vibrant. The dance is as plotless as the decor, but Gary Lambert is a master of its ceremonies, dancing with ebullient energy, and marking the score's jazzy nuances with just the suggestion of a shimmy. I am not sure, after one viewing, how the choreography holds together – if it is, indeed, intended to cohere – but its varied incidents are pleasing, and offer a melting, pretty solo to Jacqueline Jones, which she shows off with great charm.

Siobhan Davies' creation for the company is *Winnsboro Cotton Mill Blues*. Industrial life has rarely inspired choreography. Foregger's optimistic machine dances in early Soviet days; Gertrud Bodenwieser's fascination with "The Demon Machine" at about the same time; Massine's picture of urban proletariat in *Le Pas d'acier* for Diaghilev, were hardly concerned with industry itself. Even the Marxist spectacles staged by workers' dance groups during the Depression in New York were more protest than explanation. What Davies has done is to make a subtle, compassionate comment upon an industrial community.

Her starting point is Frederic Rzewski's eponymous piano score, which develops from an rhythmic mimicry of machine noise into a touching "blues". Alexandra Dyer and Amanda Britton *first appear*, in a prelude that evokes physical exhaustion as well as companionship, and they will similarly provide a postlude to the work. They are joined by eight dancers whose movements tell of the routine of factory production, of the tedium of repetitive industrial action, even – in the way the dance crosses the stage – of the movement of shuttle across loom, as if the machine conditioned its operators. Gabrielle McNaughton is shown as a physically buoyant figure, but the idea of blues as lament imbues the choreography with an elegiac mood. Without literalism, and with a characteristic finesse, the dance speaks of the human – and the industrially dehumanising – condition.

In her finest work, Siobhan Davies offers something of the visual integrity we see in Gwen John's painting. In this new piece the matching of score, inspiration and imagery is acutely judged. As a musical note, I salute John Sweeney's performance of the Rzewski blues, and the excellent account of the Osborne and Sawer scores by the Mercury Ensemble under Roger Heaton. The ballets were very well lit, by Peter Mumford and Michael Hulls. The Royalty Theatre has one of the most hideous of theatrical interiors, but its stage is well suited for troupes of Rambert size, and the dance looks good.

Rambert Dance Company continues at the Royalty Theatre until June 27 with varied programmes.

Recital/David Murray

Annie Fischer

Miss Fischer is a Hungarian pianist-musician of rare, long-matured gifts, and in her Royal Festival Hall recital on Tuesday there were rewards enough to satisfy all those in the audience who have loved and admired her work for decades now.

It was nevertheless the wrong venue, and the wrong occasion. She had been enlisted to take the place of Alfred Brendel (laid low by tendinitis) in the international piano series, sponsored by Technics Hi-fi. But Miss Fischer is no longer a "hi-fi" pianist: she is a distinguished, elderly lady whose technical grip sometimes falters and whose fingers often slip, though her musical instincts remain wonderfully vital.

A large part of the audience attracted to a recital-series like this one consists of younger hi-fi listeners, accustomed to nothing less than near-perfect execution – and much disconcerted by wrong notes. She should not have been playing to them, but to an audience of attentive aficionados in, say, the Queen Elizabeth Hall or the Wigmore. That said, I can report that in Schumann and Beethoven she was prodigal as ever with direct, unadorned insights.

Schumann's *Kinderszenen*, the "Scenes from Childhood", were utterly idiosyncratic: neither child's-eye nor cut-glass, but forthright and urgently felt. Sometimes bumpy, too; and Miss Fischer chose wilfully to repeat section after section *ad libitum* – always, of course, with fresh lighting. That composer's Sonata in F-sharp minor emerged as a seamless lyrical whole, with an impulse so steadily consistent that one barely noticed the breaks between movements.

In Beethoven's Sonata op. 27 no. 2, the initial "Moonlight" Adagio was *strong, sonorous*, emphatically pointed; the Scherzo oddly smooth and gracious, its half-staccatos and rests melted away by perpetual pedalling. In the Finale Miss Fischer generated more exciting drama than I've heard from any pianist in some while. His op. 111 Sonata rose above a lot of finger-slips toward a grand, humane vision. No motorised virtuosity here, nor cosmetically ethereal effects; but a transparent, unblinking concern for the sense of the whole work. It was a kind of lesson in advanced musical ethics: just what we love Miss Fischer most for.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw 20.15 James DePriest conducts Netherlands Philharmonic Orchestra in works by Sibelius and Rakhmaninov. Sat: Edita Gruberova is soprano soloist in a Schubert programme conducted by Nikolaus Harnoncourt. Sun: piano recital by Bruno Leonardo Gelber (6718 345)

Beurs van Berlage 20.15 Ingo Metzmacher and Peter Rundel conduct Luigi Nono's Prometeo, also tomorrow (6270 466)

ANTWERP

De Vlaamse Opera 19.00 Silvio Varviso conducts Gotz Friedrich's production of Der Rosenkavalier, with Marie Anne Häggander, Jeanne Piland and Artur Korn. Repeated on Sun afternoon, also June 27 and 30 (233 6685)

ATHENS

Concert Hall 20.30 Electra's Laments: excerpts from the Greek tragedies dealing with Electra, by Aeschylus, Euripides and Sophocles. Repeated tomorrow and Sat (722 5511)

FLORENCE

MAGGIO MUSICALE
Teatro Communale 20.30 Zubin Mehta conducts Orchestra of the Maggio Musicale in Chopin's First Piano Concerto (Maurizio Pollini) and Mahler's Fifth Symphony, repeated on Sat. Tomorrow and Sun in Teatro della Pergola: Le nozze di Figaro (277 9236)

GENEVA

Grand Théâtre 20.00 Gabriele Ferro conducts Jerome Savary's production of Attila, also Sun (311 2311). Tomorrow in Victoria Hall: Eliahu Inbal conducts Mahler's Second Symphony (311 2511)

LEIPZIG

Tonight and tomorrow, Natalia Gutman plays Dvořák's Cello Concerto in a programme also including music by Ravel and Schoenberg. These are the final concerts in the Gewandhaus Orchestra's season (7132 252). John Dew's new production of Così fan tutte opens at the Opernhaus on Sun (also June 24, 27 and 30) and Mara Zampieri sings the title role in Tosca next Thurs (7168 273)

LONDON

THEATRE
● As You Like It: Maria Aitken's production of Shakespeare's comedy has just opened in Regent's Park. In repertory with A Midsummer Night's Dream (Open Air 071-486 1933).
● *Romeo and Juliet: Michael Maloney and Clare Holman as the star-crossed lovers in David Leveaux's RSC production. Starts previewing tonight, opens next Wed* (Barbican 071-638 8891).
● The Sound of Music: Christopher Cazenove and Liz Robertson star in the classic musical by Rodgers and Hammerstein. Now previewing, opens on Mon (Sadler's Wells 071-278 8916).
● Six Degrees of Separation: Phyllida Lloyd directs the first London production of John Guare's play about a mugging victim who seeks refuge at a Manhattan dinner party. Opens tonight (Royal Court 071 730 1745).
● For ticket information about all West End shows, phone *Theatreline from anywhere in the UK*: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC
Covent Garden 19.30 Samson et Dalila with Placido Domingo and Olga Borodina, also Sat. Tomorrow and Mon: Der fliegende Holländer (071-240 1066)
Coliseum 19.30 Madam Butterfly with Janice Cairns and Arthur Davies. Tomorrow: Monteverdi's Ulysses. Sat: Falstaff. These are the final performances of the ENO season. The new season opens on Aug 27. Next week: English National Ballet (071-836 3161)
Royal Festival Hall 19.30 Katia Labeque and John McLaughlin Trio in a jazz programme. Sat: Martha Argerich is soloist with Montreal Symphony Orchestra. Sun afternoon: Barry Douglas piano recital (071-928 8800)
Queen Elizabeth Hall 19.00 Opera Factory production of Monteverdi's The Coronation of Poppea, also Sun. Sat: Tamas Vasary conducts semi-staged performance of A Midsummer Night's Dream, with Mendelssohn's complete incidental music (071-928 8800)
Barbican 19.45 Rafael Frühbeck de Burgos conducts the LSO in works by Strauss and Beethoven, with soloists Moray Welsh and Nigel Kennedy. Sun: Mstislav Rostropovich conducts concert performance of Rimsky-Korsakov's Golden Cockerel (071-638 8891)

PARIS

Auditorium, Forum des Halles 19.00 Kent Nagano conducts Ensemble InterContemporain in world premiere of new work by Tristan Murail, plus works by Stravinsky and Alain Bancquart (4026 2840)
Châtelet 20.30 Charles Dutoit conducts Montreal Symphony Orchestra in Ravel's Mother Goose, Beethoven's First Piano Concerto (Martha Argerich) and Falla's Three Cornered Hat (4028 2840). Sun at 18.00 in Cour Carrée du Louvre: Dutoit conducts a free concert with Orchestre National de France (4230 2306)
Opéra Bastille 19.30 Myung-Whun Chung conducts revival of Petrika Ionesco's production of Otello, with Vladimir Atlantov, Justino Diaz and Kallen Esperian. Runs till June 30, with next performance on Mon. Domingo sings the title role on June 24 and 30. Tomorrow: Marek Janowski conducts Orchestre Philharmonique de Radio France in Beethoven's Fifth Piano Concerto (Brigitte Engerer) and Bruckner's Second Symphony (4001 1616)
Palais Garnier 19.30 Ballet de l'Opéra de Paris in choreographies by Neumeier, Petit and Lander, also Sat and Mon. Tomorrow, Sun and Tues: *Il barbiere di Siviglia (4017 3535)*

PRAGUE

Erich Leinsdorf conducts the Czech Philharmonic Orchestra in works by Richard Strauss and Schubert, tonight and tomorrow in the Rudolfinum (231 9164). The Prague State Opera (formerly Smetana Theatre) has Rienzi tonight and Ambroise Thomas' Mignon tomorrow. Tonight at the Estates Theatre; Le nozze di Figaro. Sun at National Theatre: Rusalka. For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 36 in the passage, 228714) and theatre box offices.

ROTTERDAM

De Doelen 20.15 Jeffrey Tate conducts the Rotterdam Philharmonic Orchestra in works by Richard Strauss and Bartók, repeated tomorrow evening and Sun afternoon (413 2490)

VIENNA

Staatsoper 19.00 Bruno Weil conducts Don Giovanni, with Ruggero Raimondi, Cheryl Studer and Gösta Winbergh, also Mon. Tomorrow: Cerha's Baal. Sat: La forza del destino. Sun: Tannhäuser (51444 2960). Sun in Volksoper: Zemlinsky double-bill (51444 3318)
Musikverein 19.30 Song recital by Kiri te Kanawa, accompanied by André Previn. Sun morning: Riccardo Muti conducts Vienna Philharmonic (505 8190)

ZURICH

Opernhaus 19.30 Ralf Weikert conducts Cesare Lievi's new production of Capriccio, with Sona Ghazarian, Josef Protschka, Robert Holl and Olaf Bär. Runs till July 2, with next performances on Sun afternoon and next Wed. Tomorrow and Sun evening: ballets by Bertrand d'At and Bernd Roger Bienert. Sat: Baltsa and Carreras in Carmen. Mon: Hermann Prey sings Winterreise (262 0909)
Tonhalle 19.30 Nello Santi conducts works by Respighi, Liszt and Rossini. Tomorrow: Lieder recital by Kathleen Battle (201 1580). Sat: Silvia Marcovici and Antonio Meneses play Brahms' Double Concerto with Zurich Chamber Orchestra (252 1737). Sun: Brazilian programme with Zurich Symphony Orchestra (261 1600)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0930 (Mon) FT Each Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0830-0900 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Thursday June 18 1992

Partial eclipse darkens Japan

THE CURRENT eclipse of Japan's economic sun will not last for ever. But there are more constructive ways for the Japanese authorities to remove the shadow than simply to sit, wait and pray to the gods. The Bank of Japan and the Ministry of Finance together have the power to stimulate domestic demand. Both economic and political logic suggest they use it.

The Bank of Japan's unwillingness to acknowledge the risks the economy faces is understandable, if misguided. Most economies would have buckled under the combined strain of a harsh monetary tightening and financial market collapse. But the bank has so far skilfully managed to deflate Japan's frighteningly large asset market bubble without prompting anything more than a modest deceleration of economic growth. Not even the most pessimistic observers expect Japan to suffer a fall in output, let alone a recession on the scale suffered by the US or UK. More likely Japanese economic growth will slip to a respectable 2 per cent this year.

What then, the central bank and finance ministry might ask, is all the fuss about? But Japan's policymakers cannot afford to be so sanguine. The risk Japan faces is not a sharp fall in output but instead that the return to trend economic growth will take years rather than months. For a sign of things to come, officials have only to observe the anaemic recovery in America and the corpse-like state of the UK economy, and listen to the resigned tones of once optimistic civil servants and forecasters.

Japan is, in fact, suffering from the very same underlying problem that has strangled economic recoveries in the Anglo-Saxon world. Companies, consumers and banks are all burdened by varying degrees of outstanding debts. The weakness of the stock market and the accumulation of bad debts in the banking sector have already depressed confidence and activity outside the financial community. Corporate profitability is weak and expected to deteriorate; bankruptcies are rising and overtime working is falling. Broad money growth may be sluggish because companies do not want to borrow for investment, but even if they did the banks would be in no position to offer new finance.

Yet Japan does not have to stand back and take these deflationary blows on the chin. The Bank of Japan, unlike the Bank of England, retains the ability to set a flexible course for monetary policy; and reason demands more interest rate cuts than Mr Yoshida Mieno, its governor, has so far been willing to deliver. The inflation risk is negligible as the low level of long rates indicates; and a further percentage point off the discount rate would provide welcome relief to Japan's troubled banking sector.

Similarly, the finance ministry, *unlike the US Treasury, has ample* room to stimulate domestic demand through active fiscal policy. The budget balance that counts – that of the general government – is in healthy surplus, and the public sector, unlike the private sector, has plenty of worthwhile investment *opportunities.*

The underlying strength of the Japanese economy will ensure that it eventually resumes its place in the sun, although the heat may not be quite as intense as in the late 1980s. But the Japanese authorities have a clear interest in this happening sooner rather than later. The longer growth in Japan remains slow, the more consumers will reduce their spending on imports and the larger Japan's current account will become. A looser monetary and fiscal policy is the sensible way to cut this deficit and smooth international trade relations. Inaction only increases the risk that the US or EC will try to impose a more brutal solution.

Fewer nukes

BY THE standards of the Cold war, Tuesday's Russo-American agreement to cut nuclear arsenals to fewer than 3,500 warheads apiece would be a truly amazing item of good news. Even today it is good news, but those standards no longer apply. Indeed, one of its salutary effects may be to remind world public opinion that both superpowers still possess very large stocks of nuclear weapons, which would take them well over a decade to destroy.

Few people in the west any longer see Russian nuclear weapons as the instrument of a hostile power's quest for world domination. Therefore, western preoccupations are less concerned with the quantitative destructive potential of Russia's nuclear strike force than *with the degree to which it is* under effective political control and physically secure. The west has eagerly, almost indecently, hastened to recognise Russia as the sole legal successor of the defunct Soviet Union, mainly out of anxiety to avoid the multiplication of nuclear powers by a process of vegetative reproduction. The fiction that the former Soviet strategic forces devolved not to Russia as such but to the Commonwealth of Independent States has now been abandoned. But the precise relationship between the Russian state and those elements of the ex-Soviet armed forces – *both conventional and nuclear* – which remain in being outside Russian territory remains unclear.

The difficulties involved in "repatriating" both troops and *weapons to Russian soil, in demo*bilising the former and in decommissioning the latter, are at once economic, technical and political. The implementation of arms control agreements – notably CFE and Start – signed by the Soviet Union but not yet ratified by its successor states, is problematic, and dependent even in the best of cases on western help. Mr Vadim Osinin, an arms control expert attached to the Russian parliamentary defence committee, spoke yesterday of "difficulties with implementing the Start treaty obligations, which will go on until 1999"; and said that implementation of the new agreement could not begin until that of Start was complete.

In those circumstances it is *probably best to regard this agree*ment as at once an earnest of Mr Boris Yeltsin's goodwill (conditioned, in part at least, by his desperate need for western economic aid), and as a test of his control over the ex-Soviet armed forces. It will not be fully implemented until the year 2003, or at best 2000. *But it is* a very important measure of nuclear disarmament by the two largest nuclear powers, in accordance with the letter and the spirit of Article VI of the Non-Proliferation Treaty. As such it should facilitate the extension of that treaty in 1995. At the same time it brings the US and Russian *arsenals down to a level* where they can reasonably require that the next round of disarmament talks should involve the other nuclear powers as well.

EC anti-trust

IT IS IRONIC, given Sir Leon Brittan's firm stewardship of EC competition policy, that the European Commission's fitness to exercise power in this field is increasingly questioned. That, however, is as much a tribute to Sir Leon's success in placing competition policy higher on the EC agenda as it is a symptom of unease at the commission's sometimes haphazard record in enforcing it.

The need for effective EC-wide competition safeguards in a single market is indisputable and has been explicitly recognised with the passage of the EC merger regulation. However, the procedures for achieving this goal are flawed. Not only do they lack clarity; but in a community where the biggest threats to free markets are often the actions of governments rather than of companies, they are too prone to political manipulation.

This week, Sir Sydney Lipworth, chairman of the UK Monopolies and Mergers Commission urged that at least some of the EC com*mission's powers be transferred to* an independent authority. Sir Leon has rejected such demands in the past, asserting that any alternative to the present system would be at least as vulnerable to political interference. But while there may be some truth in his argument, it ignores two important points raised by Sir Sydney

One is that by acting as investigator, prosecutor, judge and executioner, the commission risks conflicts of interest by combining too many incompatible roles. Sir Sydney proposes giving responsibility for investigation and adjudi*cation to a body independent of* the commission, or at least of its prosecuting arm. Secondly, such a body should routinely publish its detailed findings. That would inject much-needed transparency into a system which currently imposes no onus on Brussels to justify competition decisions.

These proposals would favour fairer and more consistent decision-making, though they would not of themselves safeguard against political meddling. There is room for debate on how that could best be achieved. But for Brussels to persist in denying any *need for reform would be both* myopic and contrary to the principles of efficient and equitable policy which Sir Leon has sought energetically to uphold.

California's Silicon Valley is enjoying a revival in innovation and entrepreneurship, write Geoffrey Owen and Louise Kehoe

A hotbed of high-tech

It was tempting, in the late 1980s, to write off Silicon Valley. Some even called it the "next Detroit"; the latest example of the declining competitiveness of American industry. It appeared that the valley's famed entrepreneurial spirit was being crushed by the onslaught from Japan.

Look again. Today, this northern California complex of high-technology industries is brimming with confidence.

"People think this industry is maturing," says Mr Steve Jobs, chairman of Next Computer *and as* co-founder of Apple one of the valley's most celebrated entrepreneurs. "They are so wrong. Every time a technology window opens there is an opportunity completely to rearrange the industry." He agrees that the targeting of a new venture has to be more precise. "At Apple, we threw a dart at a white wall and where it landed we painted a bull's eye. At Next we are trying to do something far more ambitious because the market is more sophisticated."

If the technological opportunities seem boundless, so too is the valley's capacity to exploit them. Thanks to the momentum of innovation and entrepreneurship which began before the war and accelerated in the 1960s, Silicon Valley has *a rich infrastructure of electronics* engineers, subcontractors, venture capitalists, public relations advisers, headhunters and lawyers, all of whom have a part to play in getting a venture off the ground. "I could start a semiconductor company on the telephone from my home," says Mr Wilfrid Corrigan, chairman of *LSI Logic, a leading semiconductor* manufacturer.

Mr Andy Grove, chairman of Intel, the world's largest maker of microprocessors, compares it to the theatre business in New York which has an itinerant workforce of actors, directors, writers and technicians, as well as experienced financial backers. *By tapping into this* network you can quickly put a production together. It might be a smash hit, like 42nd Street, or it might be panned by the critics. Inevitably the number of long-running plays is small, but new creative ideas keep bubbling up.

"Silicon Valley is a technology crucible," says Mr Irwin Federman, who ran a leading semiconductor company in the 1970s and is now a venture capitalist. "Every engineer in the valley has at the back of his mind that if he comes up with an interesting product he can start a company. Not too many opportunities get wasted."

Mr Dick Moley, an engineering graduate from Manchester, came to the US in 1961 to work for the engi*neering group Westinghouse in* Pittsburgh, then for Hewlett Packard in the valley. "I saw all these start-ups and I thought – I'll be a wimp if I don't try it." He was part of the team that created Rolm, a pioneer in computer-controlled private telephone exchanges. He is now running another start-up, Stratacom, inventor of the "frame relay" method of squeezing large quantities of data through narrow bandwidth telephone lines.

Silicon Valley's family tree, displayed on many office walls, goes back to the 1950s. Mr Corrigan, a Liverpudlian who came to the US in 1961, and Mr Grove, a Hungarian emigre, both worked for Fairchild Semiconductor, the progenitor of a long line of entrepreneurial companies. Fairchild itself was a spin-off from Shockley *Laboratories*, set up by Mr William Shockley, inventor of the transistor, in 1955.

But the valley is no respecter of grey hairs. It is a meritocracy in which everyone has a chance to succeed. It matters little where you come from, or what you have achieved in the past, only what you can contribute today.

"The American dream lives in Silicon Valley," says Mr Jerry Sanders, chairman of American Micro Devices (AMD) and another Fairchild veteran. It attracts people, according to Mr John Sculley of Apple, "who are willing to roll the *dice and lose it all*".

But it is not a get-rich-quick casino. It is risk-taking allied to intense effort; casual style that lightens the grind of 60-hour weeks; brashness combined with professional pride and a desire to build great companies; intense competition tempered by a respect for the individual.

This last characteristic is widely attributed to Hewlett-Packard, one of the valley's oldest companies; it *was founded just before the second* world war. "Bill Hewlett and Dave Packard had a very positive view of human potential," says Mr Jobs. "That was their greatest gift to the valley; they saw people as part of the solution, not part of the problem."

Yet even Hewlett-Packard cannot live by corporate values alone. *It is* threatened by upstarts, such as Sun Microsystems which invented the workstation market, aimed pre*cisely at the professional* and scientific customers which Hewlett-Packard had regarded as its own. Having painfully absorbed Apollo, one of Sun's rivals, Hewlett-Packard is now storming back, winning market share in the workstation sector.

This ability of the larger companies to re-invent themselves under competitive pressure is emerging as one of the valley's strengths. After its success in the early 1980s, Apple had to undergo what Mr Sculley, *chairman and chief executive, calls* "a series of wrenching re-births" before recovering its momentum.

Mr Sanders at AMD has flirted with disaster on several occasions. "When you have survived a few crises, it gives you a sense of assurance about yourself, a kind of self-worth," he says. One of AMD's crises came in the mid-1980s when part of its design team left to form Cypress Semiconductor.

There are those who question the value of the constant fragmentation of the industry through spin-offs and start-ups. Mr Sanders, for example, argues that Cypress "will never become an important global competitor".

Does the Silicon Valley model discourage the creation of strong, global companies capable of taking the long view? Mr Grove at Intel *insists on the need for* "agile giants" in the semiconductor business, but the agility, he acknowledges, comes in part from the newcomers sniping at their heels.

A start-up, Chips and Technologies, caught Intel napping in the mid-1980s by offering personal computer "chip sets", a kit of semiconductor parts to build a personal computer. Although Intel was at the time the sole supplier of the micro*processor "brains" chip for PCs, the* sale of chips that surround the microprocessor was an important portion of its business.

"In retrospect it was a simple thing to do," says Mr Grove. "They thought of it, we didn't". More recently a product announcement from another minnow, Cyrix, caused the Intel share price to drop by 15 per cent in one day.

There is also a "Wild West" aspect to the valley. Today's gunslingers are trigger happy with lawsuits, aimed at would-be competitors allegedly infringing patent rights. The plethora of litigation demonstrates that even neighbours and personal friends can be brutal competitors. "We have learnt to live in an environment where we are violent competitors one day, allies the next," *says Mr Sculley*.

Even Japanese rivals can sometimes become allies, as evidenced by several trans-Pacific technology and marketing agreements. The technological achievements of Japa*nese companies*, in manufacturing for example, are recognised and even admired in Silicon Valley. However, there remains a strong *undercurrent* of resentment – the result of Japan's alleged refusal to buy American chips – among veterans of the semiconductor industry.

Outsiders have also dubbed US chipmakers "Japan bashers", yet there is no sign of racial disharmony in the valley. Indeed, it is a melting pot of Asian, European and South American immigrants. Getting rich is a strong motivator and one that few are embarrassed to acknowledge. Hence the importance of stock options, which give employees a stake in the success of fledgling companies.

A move by *Congress to tax com*panies on stock options granted to employees is being vociferously opposed by valley executives. "It *would change everything*," says Mr Rodger Higgins, another British transplant who arrived in Silicon Valley 10 years ago and recently joined Clarity Software, a start-up company developing office applications programs for computer workstations.

But the Silicon Valley method of creating wealth is by building, rather than by speculating. "Whatever has been created here that *has been really important*," says Mr Sculley, "has been done with an incredible amount of passion behind it."

The sources of new science are the universities – not only neighbouring Stanford, which has played a seminal role in the valley's development. Apple, for example, took over work on speech recognition that had started at Carnegie Mellon University. Radical innovations within the valley itself, like the *integrated circuit*, are rare.

"Silicon Valley people," says Mr Sculley, "are great connoisseurs of technology." When one of the so-called "paradigm shifts" occurs, the entrepreneurs are quick to move in. Many believe that Silicon Valley companies are on the cusp of just such an opportunity, created by the marriage of computer and communications technology to create a broad new class of mass market products ranging from hand-held computers to interactive entertainment systems.

Apple's recently unveiled "Newton" technology, is a prime example. Early next year Apple will launch a hand-held "personal digital assistant", a device designed to help people keep track of appointments, and scribbled notes, send fax *messages and arrange meetings*. But Apple is not alone. Already, dozens of new Silicon Valley ventures have being formed to ride the new digital consumer electronics wave.

Whether or not this new technology fulfils its promise, Mr Grove of Intel is surely right to stress that business success in the 1990s and beyond will depend on speed – responding faster to market conditions, getting information around the country faster, making strategic changes faster. In an environment where product lives are shorter – "there are no safe havens", as Mr Federman puts it – the hyper-competitive atmosphere of Silicon Valley, with its adaptable giants, cheeky spin-offs and ambitious start-ups, is an American asset *which no other country has yet* been able to match.

Book Review

Plea for no muscle-play

Die Grenzen der Macht
(The Limits Of Power)
By Michael Stürmer
Siedler Verlag, Berlin, DM37. 255 pages

"The German," wrote Theodor Heuss, West Germany's first president, "appears more complex and inexplicable to himself and to other nations because his history is more complex than that of other countries."

One of the reasons for the complexity of Germany's history is its place on the map. It has become a cliché to affirm that Germany's position in the middle of Europe, at the crossroads of ideas and the intersection of armies, has greatly contributed to the vicissitudes of Germany's national saga during the past four or five centuries.

The byways of Germany's past, and the still open questions over the reunited nation's future, form the focal points of Michael Stürmer's book. One of the best-known German historians, with a deep interest in the nexus between economics and politics, Stürmer takes the reader on a magisterial grand tour of the dells and the high ground of his country's history.

His title underlines that this is no plea for a resumption of German *muscle-play. At the beginning of the* 1980s, Stürmer was an adviser to Helmut Kohl in the Bonn chancellery. Some of the misunderstandings and suspicions concerning Germany's foreign policy during the past two years – over its relationship with Moscow, for instance, or its stance on the Gulf War and Yugoslavia – might have been dispelled had a man of Stürmer's formidable analytical and public relations skills remained at Kohl's side.

Stürmer contends that German power, stretched beyond its limits under the Third Reich, and then squeezed to nothing by defeat and *dismemberment in 1945*, will remain highly constrained now that the nation is whole again. Germany is being reminded, Stürmer notes, of its "historical dilemma" in the centre of the continent.

Germany has the size and the influence to shape the future of the "European system". But the country itself will be shaped by the balance of forces stemming from the break-up of the Soviet Union, the redefining of the US role in the world, and the relationship with France. And the limits of German power will continue to be defined – just as they were during the years of division – by the degree of trust it earns from its neighbours.

Germany's influence is due to its position straddling east and west, as well as to the strength of its economy. But Stürmer knows that, at the heart of Europe, the ending of the Cold War creates risks as well as opportunities. Stürmer's fundamental question – "Where do Germany and the Germans belong?" has to be posed afresh. "Between the Rhine and the Oder lies a land *which must still, through painful* experience, find its internal balance and its external role."

Precisely because of the uncertainties, Stürmer is convinced that Germany will be able to play this role only if it resists the temptation to become once again a "bridge" between east and west and remains firmly anchored in the Atlantic community. Stürmer ascribes great importance to maintaining the US military presence in Europe.

One of Stürmer's theses is that Hitler not only destroyed the Reich, but also undermined "the German future". With unity and sovereignty now recovered, Hitler's thrall has weakened. Somewhat ambiguously, Stürmer alludes to the tendency for Germans to become less apologetic for the crimes of the Third Reich. "With increasing distance, Hitler's place in European history will become less sharp."

But Stürmer also expresses irritation with compatriots who use the catastrophe of the Third Reich as an excuse to prevent Germany from bearing its greater responsibilities, for instance, by sending troops on peace-keeping missions abroad. Germany will have to become "actor and not spectator" on the world stage, Stürmer writes – but he leaves unclear exactly how this new *strategic role should look*.

There is another intriguing gap in the book, relating to the integration of the European Community. Stürmer is a skilful guide through the paradoxes of German history. But at the end of the journey, Stürmer makes clear that united Germany's place on the political map will be determined by the degree of power it wishes to assign to supranational institutions.

Stürmer writes correctly that the new impetus in 1990-91 to European political and monetary union was part of Germany's *Beruhigungspolitik* (policy of calming fears), aimed at lessening distrust about the *might* of a united Germany. He also half-approvingly records the remark of a French diplomat equating Germany's D-Mark to France's possession of nuclear weapons. Stürmer leaves open whether Germany will be willing to take the step of monetary disarmament by allowing the D-Mark to be subsumed into a single European currency.

Like many influential Germans, Stürmer is in fact (although he does not say so in the book) sceptical *about whether a European central* bank will really be set up. Stürmer might have spelled out more clearly that a premature abandonment of the D-Mark is one limit on German power which his country is not, after all, willing to countenance.

David Marsh

ECONOMIC VIEWPOINT

The phoenix that did not arise from NEDC ashes

By Samuel Brittan

It is easier to destroy than to build." This is the sort of Churchillianism that comes to mind when I hear of the government's decision to abolish the National Economic Development Council. So anyone expecting me to cheer from the rafters will be disappointed.

NEDC consists of a council of ministers, business representatives, trade unionists and a few independents. It was meant to discuss economic strategy. The main work, however, was carried out by an independent office, which also serviced the "Little Neddies" for specific industries.

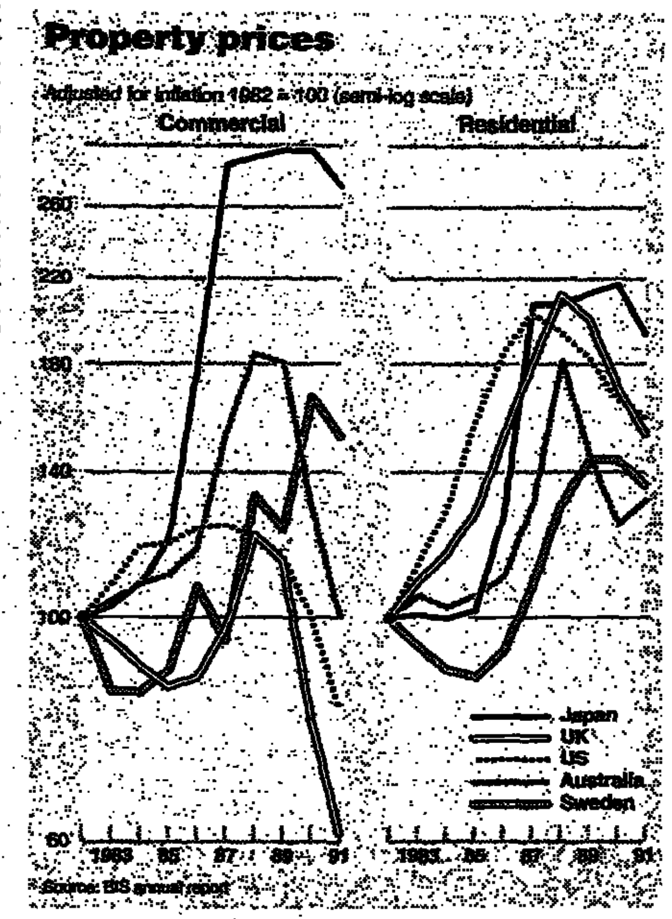
When the body was established by Harold Macmillan in 1962, French-style indicative planning was much in vogue. Not long afterwards it went out of fashion in France itself. The idea of ministers and the "two sides of industry" fixing things around a table went out of fashion much later, basically with the failure of the "social contract" of the 1974-1979 Labour government. Nevertheless there was still a useful role for the organisation.

The National Economic Development Office's director-general, Walter Eltis, has just pointed out that in the 1980s the organisation shifted from grand macroeconomic strategy to what he calls "supply-siding improvements" in specific industries.

But there was an important macroeconomic element in NEDC in the early days. This was to press the Treasury and the Bank of England to boost demand sufficiently to secure an annual growth rate of 4 per cent. The Treasury dug in and said that 3 per cent was the maximum feasible.

The emotion which that debate engendered was comparable with that which occurred later over "shadowing" the D-Mark or joining the ERM. Charges flew back and forth and friendships were broken. This might all now seem to belong to another world. Few economists or economic commentators would argue with a straight face that government financial policies can determine whether the economy will grow on average by 4 or 3 per cent, or any other figure. Government intervention should be limited to improving the efficiency with which markets work.

And yet there is a baby with the bath water. NEDC was set up in part to form a lobby for economic growth and efficiency. There are not that many other bodies committed to growth. Government departments have their own clientele with their own vested interests. That applies even to the Treasury. Its goal of holding back public spending may do more to help growth than spending ministers think; but the two goals are not identical.



A short-lived experiment with an independent economic voice in government was the Department of Economic Affairs under the first Wilson government. There have also been departments attached to the prime minister or the Cabinet Office, such as Lord Rothschild's Central Policy Review Staff and the Number 10 Policy Unit now under Sarah Hogg. Although many of their members genuinely believe in growth, their first task is to serve the prime minister of the day.

Are declines in asset prices, when consumer prices are still rising, really deflation or not?

Ministers sometimes ask why independent forecasting centres like the National Institute or the London Business School cannot do the job. They forget that forecasting – of which they claim to be sceptical – is not the same as either lobbying for growth-centred policies or carrying out research into the obstacles to growth, research which often suggests making more use of markets and prices.

As for the tripartite council: I have no doubt that ministers found it a boring talking shop. The frequency of council meetings had already been reduced in 1987. But there is still something to be said for keeping a permanent channel of communication between a Conservative government and trade unionists, and one that is not dependent on ministers saying: "They can always ring up my office if they want to see me."

The best bet now for a source of advice and influence not bound by the cabinet line is an independent Bank of England. Whatever happens to the Maastricht Treaty, the momentum to increased collaboration among the Community central bankers – now under a Danish chairman – will continue to build up. The Bank of England will only be able to play its full part if it is independent but accountable.

But I am not sure that a central bank completely meets the bill. My own preferred evolution of the Office part of NEDO would have been towards a US-style Council of Economic Advisers – at a slightly greater distance from government than is the case in America. Papers from an outside source in the chancellor's box would at least be a reminder of the variety of points of view.

Ministers need to be reminded that, if you interpret growth as the growth of cash spending (nominal GDP), then it is not so absurd to put forward a growth target of 3 or 4 per cent per annum. This is low enough to put a lid on inflation but high enough to ensure that, if pay and prices are restrained, the results will not go to waste in loss of output, income and employment. (In the jargon there is a role for a nominal demand objective.)

Indeed that is what monetarism is all about when shorn of the mystification and technicalities. It is also consistent with reconstructed Keynesianism. Some organisation may well be needed to press for some minimal demand growth even if that has to be promoted internationally – say at the level of the European Community or the Group of Seven.

Such an objective will be particularly important if the economic challenge changes from one of inflation to one of deflation. If that occurs, it will not arrive neatly, with headline consumer price changes falling gradually to zero and then below. It has already been seen in commodity prices – where the fall has now levelled off – and in property prices, where the drop is still continuing.

The Bank for International Settlements remarks in its annual report: "Real estate price deflation, if that is what it should be called, might be considered to be a new phenomenon in the postwar economic history of the industrial countries... If not contained, it could not only have further repercussions on financial institutions in the countries concerned but also affect the prospects for full economic recovery."

Argument is likely to continue on whether declines in asset prices, when ordinary consumer prices are still rising, constitute deflation or not. Nearly all the great deflations with which we have been threatened since the second world war have been false alarms and only provided excuses for allowing inflation to regain momentum.

Now, almost for the first time, it is worth looking out for a possible need to switch the direction of economic policy from the threat of rising prices to one of slump and falling prices. It would, however, be typically British to disband a potential pro-growth body when there is just a chance that there may be a need for it.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Way out for County Hall buyer

From Mr Gideon Nellen.

Sir, You report Shirayama's threat to pull out of developing County Hall unless the government clarifies its position ("County Hall buyer threatens to pull out", June 15).

Far from being a blow to the government if Shirayama were to withdraw, it would be a great fillip to London and a credit to the government if Mr John Major were to direct that the London Residuary Body could sell the site for a nominal amount to the London School of Economics in recognition of the benefits such a use could bring to the city.

That this great building should be required for institutional use was anticipated by the LRB and Shirayama which have not "paid" £60m but by all accounts have entered into an arrangement giving both parties the option to withdraw.

It would probably help a depressed property market if Shirayama were given a way out of a development whose financing in better times has already defeated more experienced operators.

Gideon Nellen,
Nellen & Co,
19 Albemarle Street,
London W1X 3HA

Pledged shares are like stolen jewels

From Dr B D M Williams.

Sir, A thief stole some jewellery, took it to a pawnbroker and used it as security for a loan. He walked out of the shop and under a bus.

It is difficult to imagine that the law would find that the jewels belonged to the pawnbroker and not to the people from whom the thief had stolen them. What is the difference between the pawnbroker and the banks which are laying claim to the shares which Robert Maxwell had pledged with them shortly before his untimely death?

B D M Williams,
White Lea,
Beech Close,
Stratford-on-Avon CV37 7EB

Appeal should be for better statistics

From Mr Roger Saoul.

Sir, City economists feel deprived because of their lack of access to the aggregated sales figures of retailers which are submitted in confidence to the Treasury. The exercise is carried out to convince the policymakers that the official retail sales statistics are, and have been for some time, misleading.

Rather than plead for privileged information, City economists should join those who for many years have appealed for the provision of better-quality official statistics.

Roger Saoul,
78 West Hill,
London SW15 2UJ

Assurances and the British Gas prospectus

From Mr Jonathan P Stern.

Sir, Your leader "Time to review the regulators" (June 10) asks whether the latter are "tearing up the prospectuses published when the utilities were privatised". In the case of British Gas my answer would be yes. This observation does not relate to the much publicised raising of the X factor in the price formula but rather to the proposal by the Office of Fair Trading, subsequently adopted by the government, to reduce the tariff threshold from 25,000 therms to 2,500 therms (with a view to phasing it out entirely).

The company's prospectus clearly stated that the authorisation to act as a public gas supplier conferred upon the company a monopoly of its present customers consuming up to 25,000 therms per annum for a minimum period of 25 years unless BG failed to comply with enforcement orders made by Ofgas or the secretary of state for trade and industry. The OFT report stated that BG had complied with all undertakings given to all regulatory bodies but that it considered further remedies were required if competition is to develop.

While not necessarily disagreeing with the OFT conclusion, this action has raised further important questions. For shareholders there must be an issue of whether assurances given in privatisation prospectuses are of any value after the dust has settled from the flotation and the government has taken its revenue. For gas consumers the reduction (and potential elimination) of the tariff threshold should give pause for thought. At the time of privatisation, a monopoly was conferred on BG in return for certain obligations towards this class of consumers. Removal of that monopoly places a question mark over the status of the company's obligations. This is not necessarily alarming, but their consequences demand more public attention than they have received thus far.

Jonathan P Stern,
98 Erlanger Road,
London SE14 5TH

Business in the Community should get back to its roots

From Mr John Eversley.

Sir, Charles Batchelor reported ("Shake-up in business support", June 3) that Business in the Community, the umbrella organisation for Britain's 300-plus Local Enterprise Agencies, plans to reduce its direct involvement in the affairs of the agencies. He goes on to quote David Grayson, BITC managing director, as saying "We are not walking away from the enterprise agencies".

As a recently retired general manager of one of these local enterprise agencies (after nearly 10 years work in the field), I beg to differ. BITC was set up as an initiative to assist local economic regeneration in the aftermath of the Toxteth riots to enable local and national private sector firms to work with central government in taking local initiatives in areas of high unemployment. These initiatives could embrace support for small firms creation, support for education/industry links and a variety of other community based support activities.

Where BITC scored was in representing the agencies to government, in lobbying to initiate local mobilisation of private sector involvement and persuading British industry to give priority to community involvement as a means of addressing some of the social, economic and structural problems of the inner city and development areas.

BITC did its job well – until it started trying to be all things to all people. It seemed, in the mid-1980s, to consider that it had a mission of its own – to support ill-conceived environmental and urban renewal schemes, to re-invent a variety of educational link schemes, and to present itself as the voice of industry in discussions with government on training for the unemployed and the establishment of business support networks.

As a result it has not only totally lost its credibility in the eyes of LEA managers like myself – but also, it seems, in the eyes of government, since BITC influence has been marginalised over the past four years. Instead of groping for a role which, one suspects, its industrial sponsors do not envisage, BITC should revert to its original role.

Perhaps the failure of BITC has something to do with its staffing and management at the centre. So many of the senior people seem to be involved in other "causes": in political lobbying and in supporting BITC's president, instead of trying to provide a relevant service to its grass roots base.

It would not surprise me if the recent antics of BITC have so alienated local and central government that there is no hope of any concerted action in the areas described above.

John Eversley,
Tyne & Wear
Enterprise Trust,
Portman House,
Portland Road,
Newcastle upon Tyne, NE2 1AQ

OBSERVER

Lascivious drones

■ The jibe "No sex, please: we're British" may look to be confirmed by the Automobile Association's survey which shows that the Brits are no longer seduced by sexy car ads. They're now far more turned on by things like mechanical reliability and good all-round vision.

But lust hasn't entirely lost its commercial pull – or so hopes lutenist Anthony Rooley, at least, who is pressing it into service in launching a record label specialising in early music.

Having set up the Consort of Musicke 23 years ago, he is seeking backers under the tax-relieving Business Expansion Scheme for a new record-producing company with the self-effacing name of Musica Oscura. It should nevertheless stand out clearly among most of the other ventures formed under the scheme, which is due for to be scrapped at the end of next year because it had largely degenerated into a tax-break for private landlords.

The £350,000 the company hopes to raise will go towards 10 new discs of works by composers such as Cipriano De Rore and Luca Marenzio. But while their names seem unlikely to draw the millions, Musica Oscura is certainly doing all it can to breathe fire into their compositions. Take for instance its sleeve notes for the disc featuring Marenzio, which proclaim:

"Only classical Indian music, with its lascivious drones and ululating melodies, can rival the renaissance madrigal in creating wanton bliss. Luca Marenzio is one of the recognised gurus of this sensual art-form, perhaps the greatest – from the lofty Petrarchan conceit addressed to the ineffable and unattainable Laura to the highly erotic world of post Guarini love poetry...."

Not to mention 40 per cent tax relief, to boot.

Too true

■ A male colleague has been invited to a workshop on Image and Self-Projection for Women. The letter, posted in Barbados, West Indies, adds: Help Stop Wasteful Duplicate Mailings...

Tomed down

■ Could it be that the best way to get the public to turn down a historic proposal is to make it a long one, and get them to read it? Certain Danes, reflecting on the rejection of the Maastricht Treaty, are beginning to think so.

Well before the June 2 referendum their government printed the 120-page legal text and handed out 500,000 free copies, one for every 10 of the population. The result, it seems, was that a good many of them took one look and decided they could never vote for anything so incomprehensible.

What price, then, the chances for the Norwegian government? Its bill presenting the European Economic Area Agreement between the European Community and the Efta countries, just issued, runs to 4,707 pages and weighs in at 16lb 1¼oz.

Second chance

■ "Everyone is entitled to one mistake," says Sir Peter Cazalet, APV's well-connected chairman. Nevertheless, a few eyebrows will cock at the speed with which Clive Strowger, the ex-chief executive of Mountleigh, has found a comfortable new berth as APV's chief executive.

"I'm moving you to Bullets"

APV has been looking for a new chief executive for quite some time – which, coupled with the fact that Strowger has been out of a job since September, suggests he could hardly have been a first-choice appointment.

Be that as it may, Cazalet – an ex-BP man who sits on the boards of P & O and Wellcome – has taken extensive soundings and is confident he has made the right selection. Strowger, a respected ex-finance director of GrandMet, has the sort of international experience APV needs if it is to integrate its collection of businesses and avoid being taken over.

Strowger is certainly not a maverick and is understood to have been stung by last year's Stock Exchange criticism of Mountleigh's directors, especially since he used to be a member of the exchange's quotations committee. Perhaps he has been harshly treated.

Even so, his decision to throw in his lot with US entrepreneurs Nelson Peltz and Peter May in some half-baked idea of transforming a controversial property company like Mountleigh into a proper international business, wasn't just bad luck.

It was a monumental error of judgment.

Back to business

■ The Conservatives may still not be the most popular party in Scotland but there is little doubt that in dealing with the media during the election they were the nicest and best equipped of the Scottish political parties.

All credit to their 32-year-old chief press officer, Alice Luce. She was promoted to the post only three weeks before polling when her predecessor Brian Townsend suddenly resigned. So it seems somewhat crass of her bosses to sack her along with five others in post-electoral cost-cutting at head office.

In the macho style of City of London firings, the normally diplomatic party chairman Lord Sanderson ordered her to clear her desk and leave the building at once. Then he replaced her with his personal assistant, David Watt.

Luce, who had worked for the party for four years, feels badly let down, especially as – for the first time in Scottish Tory general election campaigns since 1979 – this year's ended with the party increasing both its vote and its number of seats. The party's "commitment to employing women in high places seems rather hollow," she says.

Lady Thatcher would doubtless agree.

Leading question

■ What's the name for a myopic prehistoric monster with a guide dog?

"Dyouthinkesaurus Rex."

FINANCIAL TIMES

Thursday June 18 1992

A French couple struggle with their baby carriage through tons of potatoes strewn on the road in Brest by farmers who have been protesting for the past week against planned reforms in the European Community's Common Agricultural Policy

Ripa di Meana calls for cities to be free of cars

By David Buchan in Brussels

MR Carlo Ripa di Meana, the EC environment commissioner, said yesterday he was ready to become car-less, and so should other city dwellers, to prevent Europe's cities being choked by the internal combustion engine.

Saying he was ready to set the example of abandoning his Alfa Romeo, Mr Ripa di Meana unveiled a study showing that it would cost between two and five times less to live and work in car-free cities because of the savings people could make in not having cars to buy, park, insure and maintain.

Mr Ripa di Meana, an idealist who stayed away from this month's Earth Summit because of its failure to take sufficiently tough action on the planet's environment, insisted the report showed that car-free cities could be a practical proposition. Limited numbers of car users in city centres could be made to pay steeper fees for parking, and city authorities could be persuaded to invest more in public transport, escalators and moving walkways.

Following the lead of Amsterdam, whose residents recently voted to restrict cars in their city centre, other cities ranging from Naples in Italy to Bath in England had become interested, Mr Ripa di Meana said, in making the transition from what he called "the car dream to the dream city – the car-less city".

The Commission plans to convene a meeting in September of interested city leaders to exchange ideas on ways of "adapting the car to the city, instead of the city to the car", the commissioner said.

Mr Ripa di Meana said he was far from hostile to cars, which would always have a use on longer, out-of-town journeys. But he was ready to make an Italian's ultimate sacrifice by giving up the use of his own car, "a red Alfa Romeo with a three-way catalytic converter, which runs on unleaded petrol".

He has made sacrifices before. "I used to own an XK120 Jaguar of the kind that won Le Mans after the Second World War. But it was very heavy on petrol, and now I only have a miniature of it on my desk".

Mr Ripa di Meana has recently proposed levying a special Community eco-tax on carbon fuels.

Curbing his love affair with the car has not been easy, though. Three years ago he took part in the vintage car rally from London to Brighton. "It was freezing", said the Italian commissioner, "but I loved it".

Undecided Irish voters key to Maastricht referendum

By Tim Coone in Dublin

ONE in four voters in today's Irish referendum on the Maastricht treaty is still undecided, according to a public opinion poll published yesterday.

The poll, published in the Irish Times, showed that although declared "yes" voters outnumber "no" voters by 49 per cent to 28 per cent, more than half of those polled believe the government has handled its pro-Maastricht campaign badly.

Even Mr Albert Reynolds, the Irish prime minister, said only that he was "cautiously encouraged" by the results of the poll.

Campaign managers for the "yes" vote yesterday complained that some priests in rural areas are actively campaigning against the treaty, in spite of a decision by Catholic bishops to keep the Church neutral.

The 2.5m Irish voters will begin heading for the 5,000 polling stations after they open at 9am today. The result will not be available until Ireland's principal returning officer makes a declaration around noon tomorrow.

The result will have a profound impact on the future economic and political course of the European Community.

If the Irish follow the Danes and vote "no", there seems little doubt that the treaty, which establishes the legal framework for the creation of a common currency and common citizenship for some 340m people, will have to be scrapped. If they vote "yes", there are hopes that the remaining 10 EC states will ratify the treaty.

As in Denmark, the opinion polls showed a significantly greater proportion of women than men were undecided. And considerably fewer women (44 per cent) than men (55 per cent) said they would vote "yes".

Both feminists and anti-abortion groups have been campaigning actively for a "no" vote and should the treaty be defeated in spite of the poll predictions, women's votes will clearly have been an important factor.

A large sector of the "no" camp has run a clever campaign, championing liberal causes such as the environment, neutrality, job promotion and women's rights. It has argued that ratification of Maastricht will have adverse effects in all these areas.

In addition many of those who voted positively in previous referendums on European issues, such as the previous one in 1987 which approved the Single European Act, may find themselves divided between an economic decision on the one hand, and a moral one on the other due to the complication of the abortion issue.

The overall weakness of the "yes" campaign, in contrast to the vitality of its opponents, together with the continuing large number of floating voters have thus created considerable uncertainty over the outcome.

Mr Michael Gallagher, a political science lecturer at Trinity College in Dublin, said: "I have no doubt the polls have been done as accurately and as professionally as in the past, but no one is too confident in them now since the recent experiences of Denmark and the UK [election]."

Maastricht reports, Page 3

US chief executives hopeful on economy

Continued from Page 1

tions compared with those six months ago, their expectations for the economy six months ahead, and predictions for their own industries.

The most recent survey notes a sharp improvement in business leaders' assessments of current conditions.

Nearly 80 per cent said the economy had improved in the past six months; only 30 per cent expressed such optimism in the previous survey.

Chief executives are also more optimistic about the outlook for their own industries; 65 per cent reported an improvement, against fewer than 40 per cent in the first quarter.

The "overwhelming majority" of chief executives are optimistic, said Mr Jason Bram, an economist at the board.

Three out of four business leaders predicted an increase in their companies' profits over the next year, with only 6 per cent expecting a fall.

Executives cited growth of demand as the main source of higher profits. Only 12 per cent said they expected to generate profits by raising prices, indicating that inflationary pressures may remain subdued during the recovery.

Daily News 'was conduit for Maxwell transfers'

By Alan Friedman in New York

MR KEVIN MAXWELL is alleged to have used the New York Daily News as a conduit for fund transfers from Maxwell companies in London to banks and companies around the world.

According to US newly obtained court documents filed by the Daily News, the transactions were outside "the ordinary course" of the newspaper's business.

The newspaper, bought by Mr Robert Maxwell in March 1991, has named his son Kevin as having "authorised and directed" the fund transfers between March 21 1991 and November 29 1991. The other person named as directing the transfers was Mr Robert Maxwell, who died on November 5.

The issue of the fund transfers is the subject of a legal dispute in the US between the Daily News and other parties, including Mirror Group Newspapers of the UK. MGN was floated in the UK by the Maxwell empire last May.

The Daily News court submission was made as part of the paper's bankruptcy proceedings three months ago. It alleges that during the March-to-November 1991 period the UK funds were received by the Daily News "and transferred to various entities in virtually simultaneous transactions other than in the ordinary course" of the newspaper's business.

The Daily News added that the funds served "no business purpose" of its own and that the newspaper was "utilised merely as a conduit by Robert Maxwell or his affiliated companies or family members for such transfers".

The News is itself being accused in the US courts of aiding and abetting a conspiracy to defraud MGN of £50m ($91m). The Daily News, which has denied any wrongdoing, is facing claims from MGN and from the UK administrators of the Maxwell private companies for a total of more than $200m of Maxwell fund transfers. This money came to the Daily News from both private and public Maxwell companies in the UK and elsewhere.

It was learned last night that Britain's Serious Fraud Office (SFO) is investigating a specific £50m transfer from MGN to the Daily News that occurred on October 21 1991.

Court documents filed by MGN this week in the US concerning the £50m transfer accuse the Daily News of being liable for fraud, aiding and abetting conspiracy to defraud and aiding and abetting MGN directors in a breach of their fiduciary duties.

The court filing also asserts that both Mr Robert Maxwell and Mr Michael Stoney, the former deputy MGN managing director in charge of finance, were responsible for the misappropriation of MGN funds and a violation of their fiduciary duties to MGN.

THE LEX COLUMN

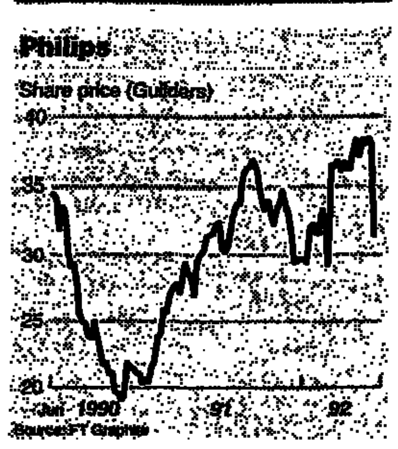
Cable's calming message

Judging by the 4 per cent rise in its shares, yesterday's annual results from Cable and Wireless were a successful exercise in investor reassurance. But it is too early to conclude that the shares deserve more than a limited re-rating following their 15 per cent underperformance this year. After the abortive AT&T talks and fumbled senior management changes, C and W needs to do more than remind the market that its main businesses have unusual scope for growth. Management must now convert that into profits.

The figures were marred by a £70m exceptional charge which held the pretax rise to 6 per cent. Thanks to the collapse of the Jamaican dollar, the charge was £18m higher than expected. Nevertheless, the 12.3 per cent full-year dividend increase was more than adequate compensation, and the one-third jump in Mercury's trading profit to £155m was a welcome bonus.

With global alliances ruled out as insufficiently profitable, C and W's strategy is to concentrate on basic telecoms and mobile telephony, using the lucrative business market as a bridge. That will require annual investment of £1bn for the next three years, while gearing will rise to around 40 per cent this year. The weak dollar remains a hindrance – each one-cent movement against sterling affects the bottom line by £3m. All the same, either Mercury or Hong Kong Telecom should be enough to give C and W a competitive advantage. If the sluggish UK economy fails to push Mercury along, Hong Kong Telecom's link with China should oblige. It is hard to deny the group's long-term attractions.

FT-SE Index: 2598.4 (-17.9)



Philips

Given that the market had hoped there would be no more bad news from Philips, yesterday's 18 per cent drop in the share price was perhaps an understandable reaction to the profits warning. The question is whether the market over-reacted. On a negative reading, Philips' protracted restructuring programme has done little to reduce the group's vulnerability to leaner competitors in consumer electronics. Moreover, any dent in its recovery has implications for its ability to resume dividend payments. On this view, the shares are best avoided until the extent of the damage becomes clearer when second-quarter figures are revealed in August.

Arguably, a more persuasive interpretation is that, while the consumer electronics market has become even more competitive, Philips' wider recovery effort is scarcely off the rails. The management's assumption was that consumer business would stabilise after price falls in the first quarter. Instead, May saw further pressure on prices, particularly in Europe. Hence, yesterday's warning about the second-quarter performance.

As today's results from Nokia Data should show, Philips has not been suffering alone. Even Sony has already felt pain. It is indeed rational for investors to calculate that Philips will probably not have the mettle to pay a dividend if earnings are lower this year. Doubtless they will also remember that any payment would always be nominal. Despite yesterday's fall, those who backed the shares for recovery may reflect that the long-term odds remain in their favour.

NFC

There is something comfortably predictable about NFC. In announcing flat first-half profits of £45m, it confirmed its forecast of £90m-£100m for the year. Moreover it gave the City no particular reason to question the forecast. That may explain the 4 per cent jump in the shares yesterday. Recent weakness has been above all due to fears NFC would not escape the downgrades to which much of the rest of the transport sector has been subject.

Granted, the company could do with some economic recovery to boost its truck rental and home removal business. Its figures point to some improvement between the first and second quarters, but that may be mostly due to a heavier bill for redundancies in the first quarter. Nor should one read too much into the planned additions to its rental fleet. Trucks can be sold as well as bought. NFC's current appeal owes something to the fact that it is less of a cyclical stock than other companies in this sector. Its logistics division is a leading player in the growing dedicated distribution market which is both difficult for competitors to enter and relatively recession proof. On the basis of its own forecast, NFC is on a prospective multiple of about 18. That is not particularly expensive, but other transport companies may eventually have more recovery potential.

UK *economy*

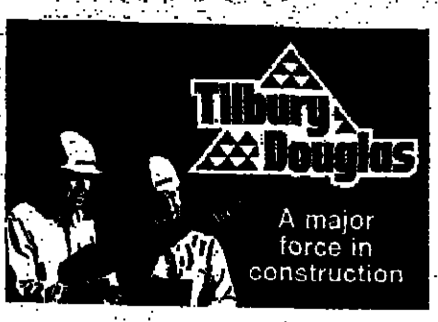
It looks suspiciously as though some manufacturers became a little over-optimistic about the economy around the time of the general election. While output of consumer goods industries rose by 1.5 per cent in the three months to April, retail sales actually fell by 0.1 per cent between March and May. The classification of consumer goods is not quite uniform from one statistical series to another, so there may be nothing behind this apparent discrepancy. The standard explanation is that increased production was going to rebuild stocks ahead of anticipated economic recovery. That is fine so long as the recovery actually takes place. If demand fails to grow, the 1 per cent rise in overall manufacturing output over the past three months is unlikely to reflect a lasting trend.

Yesterday's retail sales figures did not, however, offer much reason to hope for solid growth in consumer demand. The further jump in clothing and footwear sales looks remarkable at first sight, but is probably no more than a response to the unseasonably warm weather. The depressing reality is that seasonally-adjusted household goods sales are back to their lowest level since January – another reminder that sustained recovery will require an upturn in the housing market, which is still distressingly remote.

There was a further curiousity in yesterday's industrial production figures. Output of investment goods fell by 1 per cent over the three months to April, which sits oddly with recent sharp increases in imports of capital goods. The sinister interpretation is that when recovery does finally come, it will not be to the benefit of the UK investment goods industry, but to its foreign competition.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	18	64	Frankfurt	S	22	72	Majorca	C	23	73	Oporto	S	24	75	Tenerife	S	25	77
				Brussels	S	18	64	Geneva	S	23	73	Malaga	F	25	77	Oslo	C	17	63	Tokyo	C	23	73
				Budapest	R	26	79	Gibraltar	F	22	72	Malta	S	25	77	Paris	S	21	70	Toronto †	S	16	61
Ajaccio	T	24	75	Buenos Aires	C	18	64	Glasgow	S	17	63	Manila	C	35	95	Prague	F	19	66	Tunis	C	25	77
Algiers	F	23	73	Cairo	S	32	90	Helsinki	C	16	60	Melbourne	F	11	52	Reykjavik	C	8	46	Valencia	S	26	79
Amsterdam	F	19	66	Cape Town	C	15	59	Hong Kong		–	–	Mexico City	C	27	80	Rhodes	S	24	75	Venice	S	28	82
Athens	S	25	77	Caracas	C	28	82	Innsbruck	F	18	64	Miami †	S	25	77	Rio d'Janeiro	C	28	82	Vienna	S	25	77
Bahrain	S	33	91	Casablanca †	C	22	72	Inverness	C	14	57	Milan	S	27	81	Rome	S	24	75	Warsaw	F	19	66
Bangkok	C	35	95	Chicago †	F	26	79	Islamabad	F	41	106	Montreal †	S	17	63	Salzburg	R	20	68	Washington †	C	19	66
Barcelona	F	24	75	Cologne	S	20	68	Istanbul	F	23	73	Moscow	F	27	81	S'Francisco †	S	12	54	Zurich	S	23	73
Beijing	S	30	86	Copenhagen	F	23	73	Jakarta	C	33	91	Munich	C	18	64	Seoul	F	23	73	Temperatures at midday yesterday			
Beirut	C	23	73	Corfu	S	26	79	Johannesburg	S	17	63	Nairobi	C	21	70	Singapore		–	–				
Belfast	F	14	57	Dallas †	C	26	79	Lisbon	C	20	68	Naples	F	27	81	Stockholm	S	18	64	† Noon GMT temperatures			
Belgrade	T	26	79	Dublin	F	16	61	London	F	17	63	Nassau	R	32	90	Strasbourg	F	22	72	C – Cloudy Dr – Drizzle			
Berlin	F	23	73	Dubrovnik		–	–	Los Angeles †	S	16	61	New Delhi	S	39	102	Sydney	S	17	63	F – Fair Fg – Fog H – Hail			
Biarritz	Dr	17	63	Edinburgh	S	18	64	Luxembourg	F	21	70	New York †	S	21	70	Taipei	C	33	91	R – Rain S – Sunny			
Bombay	F	32	90	Faro	C	21	70	Madeira	C	21	70	Nice	F	24	75	Tangier	S	21	70	Sl – Sleet Sn – Snow			
Bordeaux	C	23	73	Florence	F	24	75	Madrid	F	23	73	Nicosia	S	25	77	Tel Aviv	F	26	79	T – Thunder			



INSIDE

IBM puts its chips on the market

IBM is for the first time to sell microchips to outside customers and aims to sell $500m-worth within three years. The largest chip-maker in the world, it has until recently used all its chips in its own machines. The latest strategy represents a marked change of practice, and is part of an IBM move to raise $3bn from sales to original equipment manufacturers by next year. Page 21

A walk-on part for Japanese

A rush by Japanese pharmaceutical companies to invest overseas in the late 1980s appeared to signal their entrance on the world stage. But Japanese pharmaceutical groups are far from becoming the Toyotas or Matsushitas of the global drugs market. In spite of strong efforts by some groups, the country's pharmaceutical industry has been unable to break into overseas markets. Page 22

Out-negotiated in Indonesia

Indonesian government officials are celebrating a record number of contracts signed with foreign oil companies. But oil company executives are looking increasingly down in the mouth about their future in Indonesia, which would appear to hold great profits for foreign companies. As one executive admitted: "The oil companies have proven to be poor negotiators in the past. The Indonesians have tended to get the better of us." Page 34

Warning on Olivetti

Olivetti, the Italian computers and office equipment group, suffered a 4 per cent drop in sales in the first four months of this year and may require further restructuring before returning to profitability, warned Mr Carlo De Benedetti, chairman. Page 22

Digital Equipment reorganises

Digital Equipment, the world's third largest information technology group after IBM and Fujitsu, is reorganising its European operations in a bid to restore flagging sales and profitability. Page 21

Kenwood valued at £105m

Kenwood Appliances, the UK kitchen equipment maker, will go on sale to the public at 285p next week, valuing the management buy-out from Thorn-EMI at £104.5m ($190m) Half the 23.2m shares for sale were placed yesterday with institutions: Page 26

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko	780	+	12
DLW	575	+	12
Falls			
AEG	193.5	–	9
Colonia Konzern	885	–	15
Hoesch	277	–	11
Lufthansa	129	–	6

NEW YORK ($)

Falls			
Bristol-Myers	63½	–	⅝
Coca Cola	39⅛	–	1⅜
General Motors	41⅝	–	2⅛
Telefonos	45⅜	–	3⅛
Merck	47¼	–	1½
Pfizer	67⅝	–	1⅛

PARIS (FFr)

Falls			
Bancaire Cie	402	–	18
Eurafrance	1413	–	47
Imetal	322	–	13
Moulinex	144	–	13.5
Radiotechn	560	–	30
Uribail	448	–	16

TOKYO (Yen)

Falls			
Daido Concrete	500	–	58
Daikyo	800	–	110
Ikegai	335	–	43
Iseki	350	–	40
Takashima	401	–	49
Tamura Electric	680	–	100

LONDON (Pence)

Rises			
AcornComputer	34½	+	4½
BET	154	+	10
Cable & Wire	560	+	20
Erskine Hse	90	+	4
Lep	8¼	+	2
MidlandsRadio	114	+	6
NFC	251	+	10
Next	95½	+	5½
Persimmon	277	+	19
Falls			
Airbreak Leis	43½	–	3½
Airtours	274	–	18
BAT Inds	758	–	20
Carlton Comms	629	–	22
Devenish(JA)	278	–	13
Gestetner	133	–	6
Glaxo	710	–	25
Logica	183	–	25
Mosaic Invs	94	–	4
Owners Abroad	81	–	7
Proteus Intl	400	–	20
Psion	163	–	8
SteelBurrill	270	–	10
Thorntons	194	–	7
Wace	120	–	23

Banco Santander loan probe widens

Peter Bruce on the investigation into possible tax fraud at Spanish bank

MR EMILIO BOTIN, president of Banco Santander, one of Spain's largest commercial banks, has been subpoenaed to appear tomorrow before a Madrid judge who is conducting a preliminary investigation into possible tax fraud using loans worth around $1bn made by the bank between 1987 and 1989.

A Canary Island court earlier this week released two Banco Santander officials on bail of $1m as the investigation spread nationwide.

The tax authorities have been trying for three years to find out to whom a series of off-balance sheet loans were made. The authorities want to know whether these borrowers were using the loans to launder undisclosed income.

The issue revolves around *cesiones de credito*, or assignments of credit. These were widely used by Spanish banks in the late 1980s after the Bank of Spain, the central bank, tried to slow credit growth by sharply raising its coefficients – obligatory, interest-free deposits made by banks with the central bank to cover deposits and loans.

The banks found a loophole allowing them to sell parts of their loan portfolios to third parties – mainly large corporate borrowers – and thus take normal credits off their balance sheets. This meant they would escape having to make deposits with the central bank and having to deduct withholding taxes.

The assignments were made subject to central bank ratios in summer 1989. Santander said yesterday it had stopped making assignments after the loophole was closed.

Analysts in Madrid think it unlikely the authorities would want to threaten Santander's standing in the banking sector. Mr Antoni Zabalza, head of the revenue service, said there was "no question about the bank's viability" when he announced details of the investigation earlier this year.

The tax authority has been trying to find out who the third-party buyers were, whether they were declaring the loans, and whether Santander knew what was happening to the money.

The revenue service says it has investigated 40,000 loans, worth $4bn, made by Santander between 1987 and 1989. It says it cannot identify 3,000 of the third-party borrowers and that a number of them may have been fictitious.

BICC in £55m US power cable deal

By Andrew Bolger

BICC, the UK-based cables and construction group, yesterday announced a £55m deal which will double its share of the power cable market in North America.

BICC Cables, the group's North American subsidiary, has provisionally agreed to buy the electrical division of Reynolds Metals, a leading maker of transmission and distribution cables in the US and Canada.

Reynolds' electrical division employs 900 people in factories in Washington State, Texas and Arkansas in the US, and LaMalbaie in Quebec, Canada. No decision has been made on how many people will transfer to BICC.

BICC's purchase is in line with the strategy outlined when making a £154m rights issue last month. It said companies in the fragmented and recession-hit North American cable industry could now be bought cheaply.

The UK group itself suffered from the downturn. In March BICC described its slide last year from an annual profit of £24m in North America to a loss of £3m as the group's "biggest single disappointment".

Reynolds' does not disclose profits on the $200m annual sales by its electrical division, but said the disposal would have no material effect on its operating results.

BICC also said the acquisition would have a neutral effect on its results in the short-term.

Although the deal will double BICC's share of the North American cable market to about 25 per cent, the UK group said it did not expect to face any regulatory obstacles.

As part of the transaction, Reynolds will have a long-term agreement to supply BICC with aluminium redraw rod from its new rod mill in Becancour, Quebec.

BICC Cables intends to integrate the Reynolds US operations with its Cablec Utility Cable Company in the US and the Quebec operation with the utilities division of Phillips Cables.

BICC Cables employs 3,200 in 17 North American plants.

● BICC announced the sale to private investors of Metal Manufactures Construction, the group's loss-making Australian electrical and mechanical engineering contracting business. The consideration of A$2m (US$1.50m) is net book value of the business, after extraordinary provisions of £13m (US$23.66m) taken by BICC in March.

Stefan Wagstyl on the ebbing confidence in the Tokyo market

Profit forecasts deal further blow to Japanese investors

Among the many blows raining down on investors in the Tokyo stock market this week, the heaviest have been warnings about the grim outlook for corporate profits.

Gloomy forecasts published this week by leading securities groups have helped to squeeze the last drops of confidence out of the market.

Yesterday, the Nikkei index fell 507.73 to 16,445.8, setting a new low for the fall in stock prices which began in 1990.

Ten top brokers' research centres predicted pre-tax profits of large Japanese companies would fall in the current financial year which ends in March 1993 – it would be the first time since the Second World War that profits have fallen three years in a row.

The brokers forecast an average decline of 9.9 per cent for all industries and of 12.9 per cent for manufacturing companies, which are more exposed to swings in the business cycle.

Nomura Securities, the largest brokerage, predicted falls of 12.1 per cent and 15.5 per cent.

The forecasts contrast sharply with corporations' own forecasts of declines averaging around 5 per cent, except for financial groups.

Until a few months ago, many companies accepted the government's forecast of 3.5 per cent economic growth in the year to March 1993 and based their profits predictions on this figure. But there are growing doubts in Tokyo that the economy will actually grow at this speed.

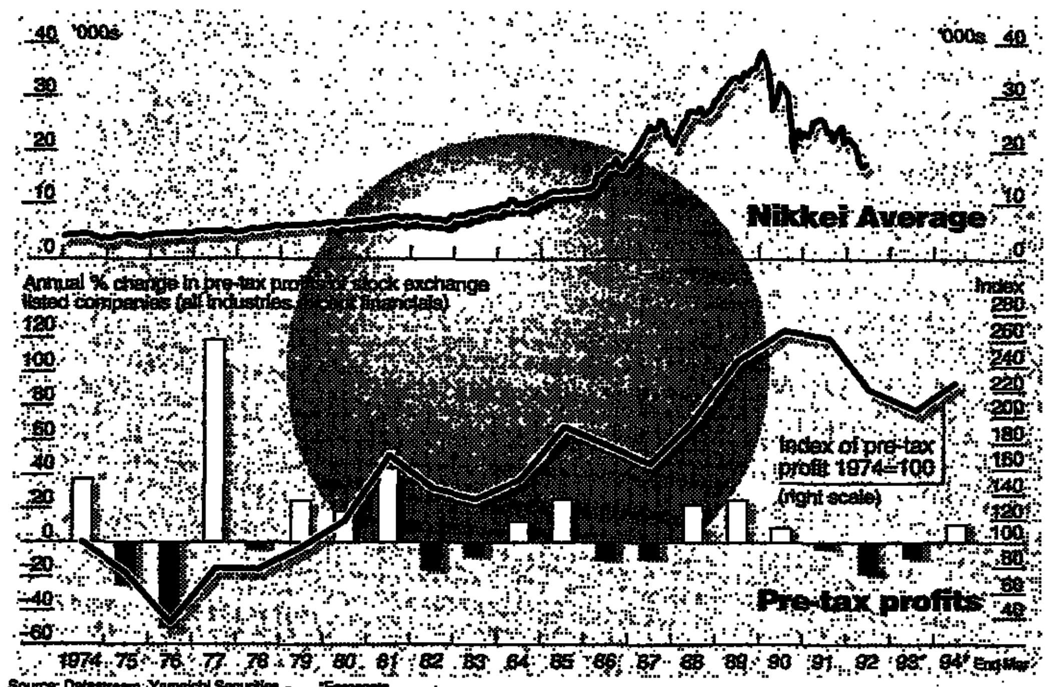
The stockbroking companies this week put themselves firmly in the pessimists' camp. For example, Nomura's profits forecasts are based on the assumption that growth will only reach 2 per cent this financial year and will recover only slowly to 2.8 per cent next year.

Profits are being squeezed by this slowdown in the economy, as companies' incomes fall faster than costs, in spite of intense efforts to trim spending, run down inventories and reduce capital spending.

Groups are cutting recruitment but cannot sack existing staff, except as a last resort. Companies also face increased depreciation charges from the huge investments made in the boom of the late 1980s, which totalled around Y400,000bn ($3,200bn) for the economy as a whole.

Furthermore, borrowing costs for listed companies will rise as around Y15,000bn of equity-linked bond issues fall due by March 1994.

Banks, seeking to boost their own profits, will attempt to extract better margins from borrowers.



Source: Datastream, Yamaichi Securities *Forecasts

Smithers, a British securities research boutique, estimates that every 0.1 percentage point increase in borrowing costs reduces corporate pre-tax profits by 2 per cent.

Finally, companies face further losses from the financial investments made in the speculative boom of the 1980s.

For some groups, notably Sharp, the electronics group, financial revenues account for more than half of total profits. Even conservatively managed groups which put their funds into safe cash deposits face falling income as interest rates have fallen from their peak in 1990.

A recovery in profits will depend crucially on a recovery in the economy. Even the government's Economic Planning Agency this week admitted it would be "difficult but not impossible" to meet the official target of 3.5 per cent growth for the current year.

Private sector economists even believe the forecast could be cut if more evidence of weakness in the economy emerges. But the EPA still believes that a recovery will come in the autumn.

However, a slow recovery would mean a very weak rebound in profits. Nomura believes that profits in 1993-94 may rise only 9.6 per cent for leading non-financial companies. Yamaichi Securities foresees an increase of just 11.6 per cent.

These figures will bring little joy to stock market investors. In spite of the near-60 per cent fall in the Nikkei index from its all-time high, Japanese stocks are not cheap.

Stocks in the First Section of the Tokyo Stock Exchange trade at around 40 times prospective earnings for 1992-93. That is well below the peak of 70 recorded in the late 1980s but is still near the top of the 20-to-40 range of the early 1980s. The implication is that investors still hope for a faster recovery in profits than the brokers are forecasting. They might possibly be right.

The government and the Bank of Japan might act to boost the economy through increased public spending and further cuts in interest rates. Construction and interest-rate sensitive stocks might respond and lift the whole stock market.

Economic policymakers at the Bank of Japan and the Ministry of Finance have repeatedly said that executives' and investors' sentiment is worse than economic reality. If so, then sentiment could turn sharply once executives and investors realise that they are wrong.

But there is precious little evidence this week of an imminent change of heart.

Nikkei falls, Back Page

Upjohn warning hits share price

By Karen Zagor in New York

SHARES in Upjohn, the US pharmaceuticals group, tumbled to a 52-week low yesterday morning after the company said its second quarter earnings would not surpass last year's. It laid partial blame on the damage done by the Halcion sleeping pill controversy.

In the 1991 second quarter, Upjohn had net earnings of $124.4m, or 70 cents a primary share, compared with income of $111m, or 62 cents, in the same period of 1990.

Upjohn also said it would offer voluntary early retirement to about 1,100 employees, taking charges in the third quarter.

On Wall Street, shares in Upjohn fell $1¾ to close at $32¾. The stock was above $47 before concern about possible side-effects of the world's fastest-selling sleeping pill exploded into an international debate over the drug's safety late last year.

Although Halcion will probably remain on the market in the US, it has been banned in the UK. Sales dropped 39 per cent in the first quarter of this year. Last year Halcion brought in $237m of Upjohn's $3.2bn sales.

Upjohn's agricultural businesses has also been hurt by the recession and drought but Mr Theodore Cooper, chairman and chief executive, does expect earnings and sales to increase in 1992.

The news of weaker second quarter earnings and job cuts comes after an announcement of a temporary freeze on hirings and salary increases.

Analysts have been concerned about Upjohn's prospects for many months, citing the lack of new drugs in the company's pipeline and the number of important drugs that will lose their patents by the end of 1994. These include Halcion, the Xanax tranquiliser, the anti-inflammatory agent Ansaid and Micronase for diabetes.

Mr Sam Isaly, analyst at Mehta & Isaly in New York, said: "Upjohn faces a bleaker and bleaker future. It will lose at least half its sales and the equivalent in profits when its products come off-patent."

Although Upjohn expects the US Food and Drug Administration to approve as many as six new products or product line extensions this year, Mr Isaly does not believe these drugs are big enough to compensate for the other drugs coming off-patent.

C and W rules out global alliance as it rises 5.7%

By Roland Rudd in London

LORD YOUNG, chairman of Cable and Wireless, the UK-based international telecommunications group, yesterday said he was talking to groups about partnerships for specific projects but ruled out a global alliance.

His comments came as the group unveiled a 5.7 per cent increase in pre-tax profits to £644m ($1.17bn) for the year to the end of March. Turnover increased from £2.5m to £3.1m.

The increase in pre-tax profits was achieved after £70.3m of exceptional items relating to group rationalisation, the merger of Mercury Personal Communications with Unitel, a US-owned operator, and the devaluation of the Jamaican dollar.

Before the UK election in April Cable and Wireless was in talks with American Telephone and Telegraph (AT&T) about a possible global alliance. The talks broke down because of AT&T's concern about the outcome of the election.

Reports that AT&T wants to reopen talks followed re-election of the Conservative government.

However, Lord Young ruled out further talks about a global alliance. He said: "We do not believe it is in our interests to form a global alliance with anyone. We are in talks with everyone about the possibility of establishing individual partnerships over individual projects."

Since Cable and Wireless rejected a BT Syncordia-type strategy – taking on the world's big telecommunications groups – it no longer believes that a global alliance would be in its interest.

Lord Young said: "We felt that there was not sufficient returns out of a Syncordia-type strategy taking everybody on everywhere. It also required significant capital expenditure."

Instead the group will concentrate on business services, basic telecommunications in its traditional areas of strength such as Asia and the West Indies, and mobile phones.

It is looking at establishing a joint company with Intertelecom in Russia, which would provide a service to western Siberia, the "Golden Ring" of large towns surrounding Moscow, and St Petersburg. "In 25 years people may say this was the best decision the group ever made," said Lord Young.

Earnings per share were down 4 per cent to 30.1p because of exceptionals and the higher tax charge of £134m compared with £115m. An increased final dividend of 9p (against 8.1p) makes a total of 13.25p compared with 11.8p.

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UK transport group says recession may be ending

By Roland Rudd in London

MR JAMES WATSON, chairman of NFC, the UK-based transport and distribution business, yesterday said there were signs that the UK recession was coming to an end.

In spite of reporting unchanged pre-tax profits of £39.5m ($72m) for the half-year to April 18, Mr Watson said he was encouraged by a sustained improvement in the truck rental market.

Mr Watson said: "We have seen signs of recovery in the past which have not lasted, although the present signs of an uplift appear to be more sustained than before.

"Nonetheless, growth is likely to be slow."

NFC's traditional transport division reported a fall in operating profits from £14.4m to £12.8m.

In the second quarter, however, it reported £7.5m profits, just £100,000 down on the comparable figure.

At the end of the August, the group has the option of taking another 650 vehicles increasing its fleet of trucks from 1500 to 2200.

The group confirmed its "best view" of pre-tax profits for the year end in the range of £90m to £100m.

Half-year sales were £879m, up from £831m.

Logistics, which provides transportation and warehousing facilities for goods sent from manufacturers to distributors, increased profits by 15 per cent to £22.4m, up from £19.5m.

One of the ways NFC is expanding Logistics is by following its clients into different countries.

For example, when Marks and Spencer opened shops in Spain, it asked NFC to establish a distribution centre there.

Operating profits from Hyperion's property division were £2.9m compared to £3.1m.

NFC is still looking for a buyer for its Pickfords retail travel business.

Mr Watson said: "We are having a close conversation with someone at the moment."

The group expanded its international business with acquisitions in Europe and the US.

Mr Watson said he was confident more than half of the group's profits would come from operations outside the UK by 1995.

Overseas profits now account for 35 per cent of the group's operating profits.

Interest costs were £200,000 down at £4.6m, as gearing was reduced to 32 per cent from 45 per cent at the first quarter-end.

Earnings per share remained unchanged at 5.7p. A second interim dividend of 1.4p makes a total of 2.7p for the year so far compared with 2.5p.

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Murdoch in boardroom coup at Antena 3

By Peter Bruce in Madrid

MR RUPERT Murdoch, the Australian-born media group owner, yesterday joined forces with a Spanish magazine publisher and Mr Mario Conde, president of the Banesto banking and industrial group, in a boardroom coup at one of Spain's commercial television channels, Antena 3 TV.

A board meeting in Madrid yesterday elected Mr Antonio Asensio, president of the Grupo Zeta publishing group, chairman of Antena 3 after the resignation of Mr Javier Godo, the Count of Godo, who founded the channel nearly three years ago and who is owner of Spain's oldest newspaper, La Vanguardia.

Mr Murdoch and Mr Conde were also elected to the board. The move came after Mr Murdoch and Mr Asensio formed a joint venture and bought up to 25 per cent of Antena 3 from minority shareholders. Mr Conde is separately understood to have bought a further 20 per cent of the channel. The stealthy stock purchases, reportedly worth some $100m, were financed by Banesto.

Antena 3 owns the daily newspaper, Ya, which circulates mainly in Madrid. Mr Murdoch's holding company, News International, has held a 25 per cent stake in Grupo Zeta for some time. Zeta bid for and failed to win one of the three private TV licences the Spanish government awarded in 1989.

The government has to approve the new ownership and while it was said to be irritated by the coup – it views Mr Conde as a potentially dangerous conservative political rival to the ruling socialist party – officials at the prime minister's office said the new shareholdings would be respected.

Earlier this year, Mr Conde signed an agreement with Mr Godo under which Banesto would take stakes in Antena 3 TV and La Vanguardia. But after pressure from the government and journalists on La Vanguardia, he reneged on the deal.

Old memories revived at Philips

Confidence in the Dutch group has been shaken, writes Ronald van de Krol

PHILIPS' problems in consumer electronics could not have come at a worst time. Investor confidence had been returning gradually after the upheavals of 1990 and 1991, and the Dutch company's shares have stood around 12-month highs for most of May and June.

But yesterday's surprise from Philips that it is unlikely to meet its 1992 profit forecast has wiped out the fragile, emerging belief that the group may have put the worst of its troubles behind it.

Still, the dramatic 17.6 per cent decline in Philips' share price was a sign of continued disillusionment with the company's investor relations as well as a reflection about overall strategy. Analysts were taken aback by Philips' announcement, but were quick to point out that the company is in the same boat as most other manufacturers of consumer electronics. The news was especially surprising because the company had failed to indicate at a meeting with analysts last week that its consumer electronics business had deteriorated further.

Only last month, the company had described its first-quarter figures as "satisfactory", despite the fact that consumer electronics had slipped into the red.

The latest profit announcement revived memories of the "bad old Philips" which sprung surprises on financial markets and failed to meet profit targets. But there were also traces of the "new Philips" which Mr Jan Timmer has tried to create since taking over in July 1990: this time, the company at least prepared investors for the bad news it will be issuing when it releases second-quarter results on August 6.

The stock market's sharp reaction to setbacks at the company is a continuing legacy of May 1990, when Philips unveiled sharply lower first-quarter results without any warning. This touched off a severe crisis of confidence in Philips' management, culminating in the early retirement of the then president and the early appointment of Mr Timmer.

Jan Timmer: may need to take bold action

But unlike the situation in 1990, when many people doubted whether the overmanned, excessively bureaucratic Philips group would be able to survive at all, the company has proven its ability to plug gaping holes in its profit and loss account. Under Mr Timmer, Philips acted quickly to cut 40,000 jobs from a workforce of 240,000 and slim down its computer and semi-conductor divisions.

These moves have partly paid off, as is demonstrated by Philips' steady return to profit since record losses in 1990. But successes are now becoming quickly overshadowed by stubborn setbacks in consumer electronics, the group's single biggest business.

Even before yesterday's news, Philips had said that its senior managers in consumer electronics were working on a package of measures aimed at reviving the profitability of selling compact disc players, colour television sets and video cassette recorders (VCR) in a recession-hit market.

So far this year, Philips has moved to bolster its marketing of consumer electronics in Europe by centralising the division's marketing, sales and service organisations. It has also announced that its entire VCR business will be merged into a joint venture with that of Grundig, the German consumer electronics maker owned by Philips, in an attempt to strengthen competitiveness in one of the most hard-fought segments of the market.

But if consumer electronics remains in the doldrums, Mr Timmer will need to take bold action if he is to restore the confidence which yesterday's profit pronouncement has so quickly swept away.

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Skis Rossignol registers FFr54m loss

By William Dawkins in Paris

THE SKI industry's revival will strengthen this year, according to Skis Rossignol, the leading French producer of skis, tennis rackets and golf clubs.

The group yesterday announced a larger-than-expected loss for last year, but expects to be profitable in the current 12 months, thanks to strong growth in ski equipment sales. The Grenoble-based group also expects to benefit from improved productivity and lower costs.

Net losses in the year to end-March were FFr53.9m ($10.22m), slightly above earlier company forecasts of FFr35m to FFr40m. But this was less than half the previous year's loss of FFr140.8m, due to recession and shortage of snow in the Alps. Since then, weather, if not economic conditions, have improved. Skis Rossignol's turnover rose by 6.1 per cent to FFr1.48bn last year.

Swedish property group advances to SKr249m

By Robert Taylor in Stockholm

NCC, one of Sweden's leading property and construction groups, improved its profits (after financial items) for the first four months to SKr249m ($44m) from SKr158m for the same period last year. Consolidated sales fell to SKr7.228bn from SKr7.682bn for the first four months of 1991.

Its construction division profit (after financial items) fell to SKr270m from SKr295m while sales also dropped to SKr5.457bn from SKr5.636bn, but orders were up by 4 per cent to SKr6.1bn from SKr5.8bn.

The SKr10m loss from the international division was less than the one of SKr15m suffered in the first four months of last year. But there was a marked deterioration in NCC's special company business with a loss of SKr40m against SKr5m for the same period of 1991.

However, the group's property activities showed signs of improvement. From a loss of SKr48m for the January-April period of last year it recorded a profit of SKr92m for the same months of 1992 with a SKr149m gain from property sales, while sales rose to SKr408m from SKr307m for the first four months of last year.

● Metsa-Serla, Finland's third-largest forestry group, reported yesterday a FM2m ($476m) loss for the first four months compared with a FM59m deficit for the same period of 1991.

Mr Timo Poranen, the company's president and chief executive, said he expected "greatly improved financial result" over last year's FM117m loss, although a small loss was likely .

Net sales climbed by 6 per cent in the first four months to FM2.637bn from FM2.486bn and the operating profit rose by 76.2 per cent to FM229m from FM130m. However, there was a loss per share of FM8.35 compared with a loss per share of FM13.35 last year.

Provisions warning from Groupe Suez

GROUPE SUEZ, one of France's largest industrial and financial groups, yesterday warned it would be hit by heavy property provisions this year, writes Alice Rawsthorn in Paris.

Mr Gérard Worms, chairman, told the annual meeting it planned to buy out minority shareholders in the group's Compagnie Industrielle subsidiary.

He said the economic environment remained "unstable" and that Suez was having trouble in the property and small business sectors. Its shares slipped FFr11.80 to FFr302.20 on the announcement.

Mr Worms did not specify the likely level of Suez' provisions for 1992. However Mr Patrick Ponsolle, managing director, said there was "a risk" that Suez would be forced to make a similar level of property provisions as in 1991, when the total was more than FFr1.2bn ($227m).

Meanwhile, Suez is continuing the strategy of tidying up its investment portfolio by buying out the minority investors that hold 3.8 per cent of Industrielle's shares. It is offering 11 shares in Victoire, an insurance company that it controls, for two Industrielle shares.

Suez controls Industrielle with a 50.1 per cent holding. Union des Assurances de Paris (UAP), its dual shareholder, has 46.1 per cent. UAP, which has been locked in negotiations with Suez to swap some of its Victoire shares for part of Colonia, a German insurer controlled by Victoire, has agreed to the proposed buy-out.

NEWS IN BRIEF

■ Deutsche Aerospace (DASA), the aerospace unit of Daimler-Benz, and Alenia, the Italian aerospace group, have formed a joint venture, Eurocolumbus Raumfahrtgesellschaft, to prepare for the European space laboratory, Columbus, Reuter reports from Berlin.

Mr Juergen Schrempp, DASA management board chairman, said the venture would create the industrial conditions for the space station. He called on politicians to carry through the $5.3bn Columbus project.

Eurocolumbus will be based in Bremen and have a branch in Torino, Italy. DASA's orbital infrastructure division, ERNO Raumfarhttechnik, will own 60 per cent of Eurocolumbus. Alenia's stake will be owned through its Alenia Spazio unit.

France's Matra Marconi Space, a unit of defence and transport group, Matra, is expected to join the venture later. The venture will initially have 150 employees, who will be transferred from the parent companies.

■ Swissair is to implement further cost-cutting measures, including the elimination of 400 administrative jobs. Mr Otto Loepfe, president, said the move followed "worldwide fare erosion", especially over the north Atlantic, AP-DJ reports from Zurich.

Mr Loepfe reportedly told employees: "We are going to have to face up to some lean times ahead. And it is the ones in the best shape that are going to come through."

Mentioning its existing cost-savings programme, dubbed "Move," the airline said it was taking "additional steps to enhance its competitive edge". The Move programme measures "are to be further developed and implemented at an accelerated pace".

IBM to market components to rivals

By Louise Kehoe and Michiyo Nakamoto

INTERNATIONAL Business Machines is for the first time actively seeking to sell its semiconductor technology products to outside customers. As part of the new marketing strategy, it has set an ambitious target of achieving annual chip sales of $500m over the next three years.

IBM, the world's largest chipmaker, has until recently consumed internally all of the output of its large chip plants. Previous sales to third parties have been modest, occurring mostly in response to specific requests from customers.

The new semiconductor marketing strategy represents a marked departure from past practice. It is the latest example of an effort by IBM to raise $3bn in annual revenues from sales to original equipment manufacturers by next year.

IBM's entry into the semiconductor market potentially creates a powerful new competitor for other chip-makers. However, IBM is not expected to compete in the market for standard commodity chips. Instead, it will focus on "high value-added products" in which it has a technological advantage.

Such products include IBM's thermal conduction modules, a core packaging technology used in its mainframe computers. "Everything made by the technology products division, of which the semiconductor operations are a part, is on the table," said IBM.

The company is confident that selling a key component to competitors will not damage its position in the mainframe market. "Customers don't buy IBM's mainframes only because of this technology," it said. Other factors, such as software, product quality and pricing were distinguishing factors, the company said.

Excess capacity in semiconductors is one reason for the decision to sell to third parties. Technological improvements alone have brought annual production gains of 20 per cent to 30 per cent, the company said. "We have reached a point where IBM's internal consumption cannot consume all its output."

IBM's entry into the semiconductor market adds a new twist to the ongoing trade battle between the US and Japan in the computer chip field. Currently, IBM's sales in Japan are excluded from the US government's preferred method of calculating the foreign share of the Japanese market. The US has argued that IBM is a special case because it does not sell to outside customers.

If IBM were included in calculating foreign semiconductor sales in Japan, the figure could increase by close to 2 percentage points, bringing it to about 16.5 per cent, much closer to the 20 per cent target at the centre of the tense trade row.

Bramalea seeks debt restructuring

By Bernard Simon in Toronto

BRAMALEA, the embattled North American real estate developer, has suspended dividends and asked its banks to restructure its C$4.8bn (US$4.03bn) debt. It also warned that it might write down the value of its land holdings and other assets.

The company, part of the resources and financial services empire controlled by the Toronto branch of the Bronfman family, has financial problems which are at least as severe as those of Olympia & York, the property developer which sought protection from its creditors last month.

Bramalea has been given a more sympathetic hearing by creditors than O&Y because of a perceived willingness to share more information with outsiders, as well as Bramalea's sustained efforts to raise cash through asset sales.

Bramalea yesterday reported a net loss of C$18.6m, or 22 cents a share, for the six months to April 30, against C$3.8m profit, or 2 cents, a year earlier. Operations drained C$6.9m from cash-flow, against a positive contribution of C$29.4m last year. Interest payments totalled C$105.3m.

Its shares climbed 13 cents on the Toronto Stock Exchange yesterday morning to C$1.18, but they remain far below their 1988 peak of C$28.75.

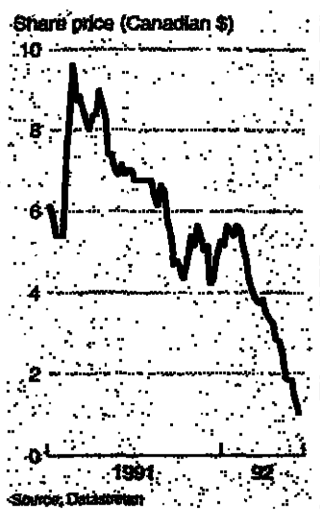
The biggest millstone around Bramalea's neck is the undeveloped land in California and southern Ontario which it bought during the last boom.

Mr Marvin Marshall, chief executive, said the asset disposal programme begun last year was taking place "at a slower pace than originally anticipated". The company has so far raised C$358m and expects to generate C$2bn by 1997 to reduce its debt.

He added that a new business plan was being prepared. It will include new lines of credit to meet working capital requirements and the extension of maturity dates on existing debt. The main lenders are understood to be Canadian, US and Japanese banks.

In contrast with family-owned O&Y, Bramalea has been able to call on its controlling shareholder for support. Trizec, the Calgary-based developer with a 67 per cent stake in Bramalea, recently took up the lion's share of a rights issue, boosting Bramalea's equity base to C$935m on April 30 from C$884m last October. Trizec and Bramalea's combined debt of C$14bn exceeds O&Y's total debt.

Bramalea



Source: Datastream

AMR expects second-quarter loss

By Martin Dickson in New York

AMR, the parent company of American Airlines, yesterday underscored the impact of a price-cutting war on US airline profits when it warned it would almost certainly make a second-quarter loss.

American blamed the red ink on fare price-cutting and a significant increase in fuel costs.

American has traditionally led pricing in the industry and sparked off the current war last April when it announced a new, simpler domestic fare structure which sharply cut the price of its most expensive tickets. The airline said at the time that the initiative was likely to take as much as $100m off first-quarter revenue but could eventually raise revenue by as much as $350m annually.

However, the new fare structure for business passengers was quickly undercut by rivals desperate for customers, while in late May the industry temporarily slashed tourist fares in an effort to drum up summer business.

Northwest Airlines led that round, but American then seized the initiative with even deeper cuts.

Northwest announced this week it would raise domestic fares 10 per cent from June 26 in what was seen by the industry as an attempt to regain lost revenue and encourage its rivals to push up fares as well.

However, none of the big three US carriers – American, United and Delta – made any immediate move to follow Northwest's lead.

AMR reported net income of $20m, or 28 cents a share, in the first quarter of this year, on revenues of $3.51bn. In the second quarter of last year it made $10.3m, or 15 cents a share, on revenues of $3.19bn.

The company's shares dipped in morning trading on the New York Stock Exchange, to stand at $63⅛, down $¼ at lunchtime.

Digital reorganises European operations

By Alan Cane

DIGITAL Equipment, the world's third-largest information technology group after IBM and Fujitsu, is reorganising its European operations in a bid to restore flagging sales and profitability. The changes, which will create a single organisation for Europe, take effect from July 1.

The reorganisation, pioneered by Digital's UK subsidiary over a year ago, removes the company's geographically divided management structure in favour of one focused on industrial sectors.

The company has created five industrial sectors across Europe, including financial services, manufacturing and telecommunications. Within each sector entrepreneurial units have been formed to concentrate on individual industries and companies.

Mr Geoffrey Shingles, chairman of Digital's UK subsidiary, said: "For the first time we can look at our business industry by industry and company by company."

The reorganisation removes one layer of management, reducing the managerial structure to three levels. Managements in individual countries will remain, but they will be responsible principally for providing services and resources to the industrial units. These include human resources, legal, financial and communications activities.

Digital is the world's largest manufacturer of minicomputers for commercial and technical customers, but it has been severely hit by moves to networks of personal computers and workstations which provide equivalent power to minicomputers at a lower cost.

It reported a third-quarter loss of $294m on operating revenues of $3.25bn, and has been cutting staff for over two years in attempts to restore profitability.

Ford boosts stake in Japan distributor

FORD Motor of the US and Mazda of Japan have reached a preliminary agreement to become equal partners in Autorama, the company that distributes Ford products in Japan, Reuter reports from Detroit.

Under the agreement, Ford will boost its stake in Autorama to 36.5 per cent from 34 per cent, while Mazda will cut its stake to 36.5 per cent from 39 per cent. The remaining 27 per cent will continue to be owned by individual investors.

The agreement is expected to be finalised by July 1.

Autorama was created in 1982 as a sales channel for Mazda-produced Ford models in Japan. Imported Ford models were added to the Autorama product line in 1988.

Mazda and Ford acquired their equity interests in the company in 1989. In 1991, Autorama sold more than 75,000 Ford vehicles.

Ford declined to specify how much it would pay to build up its stake.

The US group said that the deal was not related to the company's previously announced plan to purchase a 50 per cent stake in a Mazda assembly plant in Michigan.

Honeywell buys Finnish automation businesses

HONEYWELL, the US control systems group, is to buy parts of the automation division of A Ahlstrom Osakeyhtio, the Finnish diversified engineering company, Reuter reports from Helsinki.

Ahlstrom said the units, which are part of Ahlstrom Automation, had a total turnover of around FM400m ($93.4m). No other financial details were given.

Assets related to automation and process control for the pulp and paper, energy, graphics, food, chemical and steel industries are included in the deal.

The eight units that Honeywell will take over are based in Germany, Finland, Sweden, the UK, France, Austria and the US.

Under the deal, Honeywell will also become the owner of the Lippke Quality Control system, an application for quality control in paper production.

"By acquiring these businesses and assets, Honeywell gains greater capability in core markets," said Mr D. Larry Moore, executive vice-president and chief operating officer of Honeywell's Industrial and Space and Aviation businesses.

Air Canada in aircraft sale

AIR CANADA has put its five DC-8 cargo aircraft up for sale as part of efforts to rationalise its cargo operations, writes Robert Gibbens in Montreal.

Air Canada has failed to make its key domestic cargo operations profitable, partly because of the long recession. The airline saw overall cargo revenues slip to C$354m (US$297m) in 1991 from C$413m in the previous year.

Air Canada said it was selling the DC-8s to reduce debt and bring unit costs in line with other carriers. The five aircraft, which were used in Canada, are expected to fetch between US$125m and US$130m and should find a receptive market.

Total cargo capacity will not change greatly after the sale because Air Canada this spring brought into service three new 747-400 combination passenger-cargo aircraft on its international routes.

Air Canada also plans to sell its credit card operation for about C$300m.

Olivetti warns of further restructuring

By Haig Simonian in Rome

OLIVETTI, the Italian computers and office equipment group, suffered a 4 per cent drop in sales in the first four months of this year. It may need further restructuring before returning to profitability.

The warning, made by Mr Carlo De Benedetti, chairman, came in the middle of a week-long conference aimed at restoring confidence in the loss-making company.

Olivetti last month announced a L459.8bn ($387m) loss for 1991, largely due to restructuring costs, and passed its dividend. Although Mr De Benedetti declined to give details on sales or earnings ahead of next week's annual meeting, he expressed confidence that Olivetti would meet its target of breaking even this year.

In spite of the fall in sales, Olivetti's volumes had increased in the first four months of 1992. The difference was explained by the continuing slide in prices for many information technology products. Prices for a "basket" of Olivetti goods had dropped by 15 per cent in the year to April 1992. However, within that basket, prices for personal computers, which account for around 30 per cent of Olivetti's turnover, had plunged by over 45 per cent, while other goods had remained firm.

Mr De Benedetti said there were mixed signals in the market. While demand was still constrained by recession in many countries, the process of "downsizing" – the transition to cheaper and ever more powerful computers – had reached a turning point, he said. "I see the possibility of a quite important recovery by the beginning of 1993," he said.

The question of further job cuts at Olivetti, which has slimmed its workforce by around 25 per cent in the past two years, "depends on the quantity of work". With sales still shrinking, further savings might be necessary, he implied. "We will adjust our workforce to the success we have on the market."

Mr De Benedetti gave no indication as to whether Olivetti might move more of its manufacturing abroad, especially for low-cost products. However, he drew attention to the impending North American Free Trade Agreement, and the impact this could have on companies, such as Olivetti, which are already well established in Mexico, where labour costs are low.

Japanese drug-makers slow off the mark

Pharmaceutical groups are under pressure to expand and innovate, writes Emiko Terazono

A RUSH to invest overseas by Japanese pharmaceutical companies in the late 1980s appeared to signal their entrance on to the world stage. However, it has since become clear that Japanese pharmaceutical groups are far from becoming the Toyotas or Matsushitas of the global drugs market.

Despite strong efforts by some Japanese groups, the country's pharmaceutical industry has been unable to develop the world-beating innovatory products needed to break into overseas markets.

Yamanouchi Pharmaceutical, with annual sales of Y226bn ($1.8bn) and one of the drugs companies to expand most aggressively internationally, hopes to be a truly global company within the next 10 years.

Fujisawa Pharmaceutical, Japan's third-largest with sales of Y227bn, says: "It's essential for Japanese companies to globalise since domestic market conditions are going to be increasingly difficult."

However, western managers have doubts. Mr Thomas Hofstätter, executive managing director of Hoechst Japan, says most Japanese drugs companies are going to take time to grow into leading global operations unless a real breakthrough product is discovered.

In the 1980s, most Japanese drugs companies started their overseas expansion with simple licensing agreements and established clinical trial offices. The more ambitious, however, set up joint ventures or acquired distributors in the US and Europe.

Fujisawa acquired Lyphomed, a small drugs company in the US, and Yamanouchi built a manufacturing plant in Ireland, a research centre in Oxford and, last year, acquired the pharmaceutical division of Gist-Brocades, a Dutch chemical company.

Compared with the multi-billion dollar mergers and acquisitions of US and European companies, the Japanese operations and acquisitions have been modest

Japanese drugs-makers are now trying to build comprehensive independent operations in research and development, production, and marketing. Fujisawa is increasing production and marketing capacity in the US and Europe ahead of the launch of FK-506, an immune system suppressor used to prevent transplant patients rejecting their new organs.

However, compared with the multi-billion dollar mergers and acquisitions of US and European companies, the Japanese operations and acquisitions have been modest in size. Total overseas sales by Japanese pharmaceutical companies remain around 5 per cent of their turnover, compared with 30 to 50 per cent of leading US companies and 70 to 90 per cent of leading European companies.

The main barrier for the Japanese companies has been their lack of marketable products, as most have lagged in the development of important new drugs. This was due to their reliance on small-step innovations of existing drugs, mainly lower-value antibiotics and vitamins.

Mr Muneyuki Sakai, pharmaceutical analyst at County NatWest in Tokyo, says an overseas subsidiary needs at least four or five original mainline products.

Exceptions to this pattern include Sankyo, with its anti-cholesterol product Mevalotin. The drug has annual exports to its licensees of Y13.2bn. Yamanouchi is known for its anti-ulcer agent Gastar, which had Y90bn overseas sales last year.

Japanese drug companies have traditionally been complacent about R&D because of the government's pricing policy on drugs. The Health Ministry used to award all new drugs premium prices, whether they were improvements or not, and failed to give drug companies an incentive to develop innovative drugs.

Rather than take the risk of spending high sums on product development, many of the larger companies chose to only make small improvements of existing drugs, and distribute drugs supplied by foreign companies under licence for the Japanese market only.

Development programmes have also been hurt by cumulative price cuts by the Health Ministry, which started in 1981. It forced 10 to 15 per cent price reductions every two years. This pressured cash-flow at the Japanese drug companies, which are considerably smaller than their western counterparts.

Rather than take the risk of spending high sums on product development, many of the larger companies chose to make only small improvements of existing drugs

However, attitudes towards R&D are changing rapidly as innovation has become the key to profits.

The ministry is pushing for innovative drugs through a change in its pricing rules. From this fiscal year, the only drugs to be allowed premium prices will be those which represent a new concept, are more effective than existing drugs, and which make a noticeable contribution to treatment.

At the same time, foreign drug companies have started to end distribution tie-ups as they establish their own networks in Japan, reducing commissions at the former Japanese partners.

Ultimately, companies will need to establish a worldwide presence in order to recoup mounting R&D costs. Fujisawa needs to globalise because its market share in Japan has hit a ceiling and profits have reached their upward limit. Companies which do not succeed internationally will see a pressure on profits.

In the long run, Japanese companies are expected to become more innovative. However, for companies whose development policies are aimed at marginal improvements, changing direction will not be easy. Mr John Wilson, analyst at James Capel, says: "Companies are under pressure, with sales of the industry growing at 5 per cent and costs of R&D increasing by 10 per cent."

Since a typical drug takes 10 years and Y10bn to develop, only those companies large enough to absorb the costs will be able to survive. Mr Sakai at County NatWest believes that about 10 companies, led by Sankyo, Fujisawa, and Yamanouchi, will be able to establish a position in the international pharmaceutical market.

In the near future, companies predict a wave of mergers and acquisitions, especially rescues of smaller companies lacking new products. Takeda, the industry leader, says: "There are a lot of negotiations going on behind the scenes."

Mergers and acquisitions by foreign companies, in line with Merck and Banyu in 1983, and more recently Böhringer Ingelheim and Yamaguchi Seiyaku in 1990, are also expected to increase, as Japanese companies are now cheaper following the slump in Japanese share prices.

Chairman of French chemicals group stays

By William Dawkins in Paris

MR JEAN-RENÉ Fourtou was yesterday reconfirmed as chairman of Rhône-Poulenc, the French state-owned chemicals group, for a third three-year term.

The reappointment of Mr Fourtou, 52, a former management consultant, was expected. The government was pleased with his record of building up a profitable health care business to counterbalance the group's traditional dependence on basic chemicals. This strategy partly explains why Rhône-Poulenc was able to lift profits by 37.5 per cent in 1991, a good performance during a tough year for the industry.

Mr Fourtou is among the 45 chairmen of state-owned companies whose mandates come up for government review in the next month or two.

The government last month appointed Mr Louis Schweitzer as chairman of Renault, groomed for the job by his predecessor, Mr Raymond Lévy.

Mr Bernard Attali, chairman of Air France, yesterday looked certain to keep his job for a second term after being nominated by the government representative on his board.

Former Foster's chief appointed to Coles Myer

By Bruce Jacques in Sydney

MR PETER BARTELS, former Foster's Brewing Group chief executive, has been appointed chief executive officer of Coles Myer, Australia's biggest retailer.

The appointment confirms speculation fuelled by Mr Bartels' resignation from Foster's in March, reportedly after strong disagreements with the company's then key shareholder, Mr John Elliott.

Mr Bartels will take up his new appointment on July 27, replacing Mr Brian Quinn, the current Coles chief.

CONTRACTS & TENDERS

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INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Interest rate on more foreign debt fixed by Mexico

By Damian Fraser in Mexico City

THE MEXICAN government, anxious to protect its economy from the impact of rising US interest rates, has fixed the interest rate for at least two years on a significant part on its floating-rate foreign debt by using the international markets in options and swaps.

Mr Pedro Aspe, the Mexican finance minister, said the government had also hedged against possible falls in oil prices in the derivatives markets.

He said the use of these markets would protect Mexico from unpredictable external shocks and enable the government to meet budget forecasts.

The Finance Ministry said the government had locked into an oil price this year of $14 a barrel, and an interest rate of 6.25 per cent on the floating rate part of the external debt covered by the Brady debt deal for this and next year.

As part of the Brady deal with international banks, Mexico fixed in 1990 an interest rate, also of 6.25 per cent, on $23.5bn of its foreign debt. It also issued about $12.8bn of floating-rate bonds in exchange for bank debt.

The government first announced that it had hedged against oil price falls last year, although it did not then disclose plans to extend the programme.

It said the volumes of its purchases "were very significant in relation to the size of falls this year".

As part of its continued debt restructuring, the Finance Ministry has also retired $7.2bn of its external debt at a reported discount of 23 per cent, through swaps and the purchases of debt in the secondary market.

While the debt was officially retired on June 1, the government has been buying back debt over a period of months and placing it in a special account.

The government thereby saved around $400m a year in interest payments and reduced its external debt by 8.9 per cent to $73.6bn. The ratio of Mexico's total debt to GDP has now fallen to 29 per cent.

The government in part bought back the debt with funds raised from short-term Euro-commercial paper. At the end of May it used the $1.4bn raised from the sell of shares in Telmex, the telephone monopoly, to repay short-term debt.

Hafnia increases share issue

By Hilary Barnes in Copenhagen

HAFNIA Holding, the troubled Danish insurance group, has increased its share issue from DKr1.5bn to DKr2bn ($331m). This issue is being underwritten by Danish institutional shareholders and Paribas, the French bank.

Hafnia's urgent need of capital was underlined by events in the stock market yesterday. It suffered heavy unrealised losses when shares in Baltica Holding, its big domestic rival, fell by DKr77 to DKr460, wiping some DKr350m off the value of Hafnia's 33.5 per cent stake in Baltica.

In a statement to the stock exchange, Hafnia said its equity capital at June 16 had been reduced to DKr400m by the fall in the value of strategic holdings in Baltica and Skandia, the Swedish insurer.

Hafnia said, however, that it believed it would be able to sell its strategic holdings in Baltica and Skandia at a price above the current market prices.

Hafnia's present troubles began when its finances became seriously over-extended after trying (together with Norway's UNI Storebrand) to acquire control of Skandia last winter.

Resellers tap Canada's telephones

Bernard Simon examines the implications of a landmark ruling

IN THE two years since Canada opened its doors to discounted telephone services, a host of aggressive companies, known as resellers, have carved several hundred million dollars out of the established phone utilities' annual revenues.

The resellers, who lease phone lines at bulk discounts from the phone companies and then resell them to smaller users, now account for about 4 to 5 per cent of all telephone calls in Canada.

Their early success could look modest, however, compared with what lies in store following a landmark ruling by the Canadian Radio-television and Telecommunications Commission (CRTC).

The CRTC has cleared the way for resellers to expand the geographical territory they serve and to gain access to the phone companies' own discounted services. It is also encouraging resellers to build their own networks, a move which would give them more control over their costs and further spur competition with the phone companies.

"The pro-competition approach was more than anyone expected," says Mr Tom Davies, president of ACC Long Distance of Toronto, one of the 20 to 30 resellers which have set up business in the past two years.

The telephone companies, on the other hand, are furious at the CRTC's ruling, which also opened up the long-distance market to competition for the first time.

Mr Jean Monty, Bell Canada's chairman, is appealing against the decision on the grounds that new competitors will make a much smaller proportional contribution than Bell towards subsidising cheap local rates from long-distance revenues, and towards the cost of connecting new entrants' equipment to the phone companies' networks.

Most of the resellers in the market are expected to gear up for expansion in the wake of the CRTC ruling.

Until now, their marketing efforts have centred on mid-sized businesses in Ontario, Quebec and British Columbia, and they have been able to offer services only between a limited number of cities.

They are now talking about extending services to smaller businesses and moving into the other seven provinces. Call-Net Communications, the biggest reseller, also has plans for a cut-price service to households.

An array of new products, such as phone credit cards and private lines, is likely to appear. Most important, the CRTC ruling should enable the resellers, especially the most efficient ones, to widen their margins.

Nonetheless, some consumers targeted by resellers in the US will probably be out of reach for some time in Canada.

The Canadian market will continue to be more tightly regulated than the US. As a result, the fee charged by Canadian telephone companies for access to their networks is likely to be considerably higher than the 3 to 3.5 US cents per call average south of the border.

The resellers' own ranks are expected to thin as competition intensifies. Mr Douglas Cunningham, analyst at BBN James Capel in Toronto, forecasts that no more than four or five companies will dominate the market. "Small resellers will probably not survive," Mr Cunningham predicts.

The survivors will certainly include some of the British and US-owned companies which already dominate the resale business.

Call-Net, in which Rochester Telephone of Rochester, New York, has a stake of almost 20 per cent, says its revenues (including those of a sister company, Lightel) will reach C$100m ($83.3m) this year from about 6,000 medium and small businesses.

The Canadian subsidiary of the UK's Cable & Wireless has 5,000 network customers and expects its resale revenues to top C$50m this year.

Montreal-based Fonorola, whose biggest shareholder is J Rothschild Holdings, will submit expansion plans to its board next week. The company, whose sales are also around C$50m a year, expects to launch some new services – it declines to be precise – by next January.

The CRTC decision is especially welcome to the foreign-controlled companies because it flies in the face of legislation before parliament which would reserve a stake of at least 80 per cent in any common carrier for Canadian shareholders.

The resellers are optimistic that the CRTC's ruling, plus their own plans for investment and new jobs, will persuade the government to water down the proposed new Telecommunications Act.

For example, ACC Long-Distance, which is also controlled by a US company, has expanded its workforce in Canada from five to 52 in the past 18 months.

Moody's predicts growth in German debt

By Sara Webb

THE NEED to raise funds for the development of eastern Germany is expected to lead to further growth in the German bond market, according to a report by Moody's, the US credit rating agency.

However, this substantial public demand for financial funds may leave little room for an increase in domestic corporate bond issuance, adds the report.

Moody's says public sector bonds currently account for 74 per cent of total domestic outstanding issues, and the proportion is likely to increase further as state budgets come under pressure over the next few years.

As a result, there may be less scope for domestic corporate borrowers – many of whom have been encouraged by the recent lifting of regulations – to raise funds in the German market.

Outstanding issues of D-Mark bonds amounted to about DM1,920bn at the end of 1991, with the domestic sector accounting for 87 per cent of the total outstanding amount, and making Germany the third largest bond market after the US and Japan.

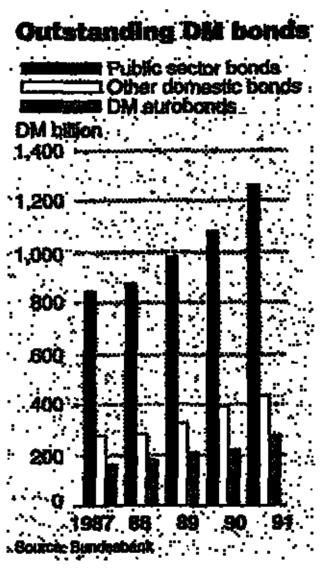
The US rating agency warns that factors such as regulation and the competitiveness of the other European bond markets could threaten the development of the D-Mark Eurobond market. In particular, Moody's points to possible changes in the taxation of interest income in Germany, and the recent emergence of the Ecu bond market.

The Ecu bond market has recently taken a battering following Denmark's rejection of the Maastricht Treaty, and is not expected to see much new issuance in the immediate future.

However, Moody's report says the Ecu market "could attract supranational and high-grade sovereign and corporate borrowers, some of which might reduce their DM Eurobond issuance levels. This could result in a lower average credit quality of outstanding DM Eurobonds."

Moody's Special Report - The DM Bond Market: Structure, Credit Risk Profile and Perspectives.

Outstanding DM bonds



Source: Bundesbank

INTERNATIONAL CAPITAL MARKETS

EBRD makes its debut in Australian dollar sector

By Simon London

THE EUROPEAN Bank for Reconstruction and Development yesterday launched its first Australian dollar bond issue, the first of a planned A$750m borrowing programme.

The A$300m, 10-year issue was structured as a global issue. The registered bonds were sold in the Australian domestic market, but were also distributed in Europe, the US and Asian markets.

INTERNATIONAL BONDS

The EBRD lends to promote economic development in eastern Europe and has no natural requirement for Australian dollars. The proceeds of the issue were swapped into floating-rate Ecu and will be held on deposit or in liquid financial instruments until required for loans.

The decision to borrow in the Australian market was partly driven by poor market conditions in Europe caused by concern over the ratification of the Maastricht treaty.

Mr Anders Ljungh, EBRD vice-president for finance, commented: "Our natural habitat is the Ecu market and some of the higher-yielding currencies of Europe. However, conditions are such that we will have to look further afield."

The 9 per cent paper priced to yield was 12 basis points more than Australian government bonds. The pricing was initially seen as tight by some participants in the deal, but there was buying interest from a range of institutional investors.

The bonds were structured to mirror the payment and redemption dates of the benchmark 10-year Australian government bond issue. Many institutions viewed the paper as a proxy for government debt.

The EBRD is owned by European governments and carries a top triple-A credit rating. In addition, it is a less frequent borrower than other top-rated supranational borrowers such as the European Coal and Steel Community and the World Bank.

Having been re-offered to investors at a fixed price of 100.174, the bonds were quoted at 100.18 bid, for a yield spread of 8 basis points over government paper.

Elsewhere, Hydro Quebec priced its C$1.2bn, 30-year global bond issue to yield 85 basis points more than Canadian government bonds, at the tighter end of the indicated range.

Participants in the deal reported strong buying from European investors, although the long-dated maturity appealed more to North American institutions.

Salomon Inc, the parent company of the US investment bank, raised its first public funding in the Euromarket since being implicated in malpractice in US Treasury bond auctions.

The company raised $300m three-year funding from an issue of auction rate notes. The senior notes carry a margin of 55 basis points over the three-month London interbank offered rate, but this will be re-set through a regular auction process.

The structure is similar to the long-date, subordinated variable rate notes issue by banks in 1990 and 1991, but contains additional investor protection. If an auction fails – if all investors try to sell their bonds at once, for example – the margin reverts to 200 basis points over Libor. If two auctions fail, investors can put the bonds back to the issuer.

Under the VRN structure, the bonds continue to trade at the fall-back margin until an auction is successful.

From the issuers perspective, the structure allows the cost of funding to fall through the life of the issue. Salomon is widely perceived as an improving credit. This week its credit rating was raised by one notch to A+ by IBCA, the credit rating agency.

● Nationwide Building Society has had its Aa3 credit rating confirmed by Moody's Investors Service, having been under review for three months.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Salomon Inc.(b)‡†	300	(b)	100	1995	-	Salomon Brothers
Banco Internacional(c)†	50	(c)	99.025	1995	1	Man.Hanover
AUSTRALIAN DOLLARS						
EBRD(a)†	300	9	102.462	2002	32.5	SBC Dominguez Barry
CANADIAN DOLLARS						
BNP(a)†	125	8¾	101.40	2002	2/1⅞	Hambros Bank
SWISS FRANCS						
P.T. Inti Indorayon(d)★★♦	60	4¾	100	1997	-	SBC

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms.a) Non-callable. b) Rate set by auction process. Backstop margin 200bp over Libor. c) Coupon payable semi-annually. Non-callable. d) The notes carry a put option on 30/12/1994 at 110⅝.

Italian bonds fluctuate wildly on devaluation fears

By Sara Webb in London and Patrick Harverson in New York

ITALIAN government bonds plunged on rumours of a devaluation of the lira yesterday, but later recovered their losses to close slightly higher on the day after a volatile trading session.

GOVERNMENT BONDS

Dealers said the market opened on a relatively bullish note and prices rose initially on reports that Italy's President Oscar Luigi Scalfaro could be close to appointing a prime minister after a two-month political deadlock.

However, traders said the early gains were completely wiped out in the afternoon by a market report forecasting that the lira would be devalued by 5 per cent. The report led to a weakening of the lira, forcing the Bank of Italy to intervene in the foreign exchange markets. The news prompted heavy futures-driven selling from foreign bond houses. A Bank of Italy official was quoted dismissing the devaluation rumours as untrue.

The futures contract, which had opened at 95.45, fell from its high of 95.93 to a low of 95.26, but later traded up to end the day at 95.48.

Elsewhere in Europe, dealers noted some switching out of Germany, Belgium and the Netherlands into Danish government bonds in anticipation of an easing in short-term interest rates. Following the results of the Danish referendum on the Maastricht Treaty, the Danish central bank allowed short-term rates to move up to protect the currency, but dealers said the rates are expected to edge lower soon.

The rest of the European bond markets saw dull activity ahead of today's Irish referendum on Maastricht and the public holiday in parts of Europe.

■ UK government bonds ended the day barely changed with many market participants waiting on the sidelines ahead of the Irish referendum.

The Liffe gilt futures contract traded in a range of 97.22-98.01 and ended the day around 97.30, slightly up on its opening level of 97.29. The May retail sales figures and April industrial production data released yesterday had no perceptable impact on the gilt market, dealers said.

The Bank of England supplied some of its index-linked stock – the 4⅛ per cent gilt due 2030 – to the market yesterday at a price of 98⅞. Dealers estimate that approximately £300m of the £500m tranche has been sold so far.

■ US Treasury prices firmed slightly across the maturity spectrum in exceptionally quiet trading.

The benchmark 30-year government bond was up $\frac{1}{32}$ at 102$\frac{1}{16}$, yielding 7.838 per cent. The two-year note was up $\frac{1}{32}$ at 100$\frac{5}{16}$, yielding 4.937 per cent.

Although the absence of fresh economic news left the market adrift during the morning, there was sporadic retail and institutional buying. This, combined with overnight gains on foreign markets, kept the long end of the market in positive territory.

The day's only news was the release of the Federal Reserve's "Beige Book", a compilation of reports on business conditions in the 12 Fed districts. The report had little effect on sentiment, however, confirming that economic recovery was continuing, but steadily.

Later in the session, the Fed announced that next week it would sell a record $15bn in two-year notes and $10.5bn in five-year notes, another record.

■ JAPANESE government bonds closed at the highs of the day, lifted by hopes of an easing in interest rates and helped by the US Treasury market's firmness overnight.

Yesterday's sharp drop in the Tokyo stock market led to speculation that the Bank of Japan may allow an easing in short-term interest rates soon. The Nikkei average fell 507.73 points to 16,445.80, its lowest close since October 1986.

In the futures market, the September contract, which opened at 102.00, breached an important resistance level and ended the day at 102.33. The next key resistance level is 103.12. In the cash market, the yield on the benchmark No 129 issue opened at 5.47 per cent and moved to 5.405 per cent at the close of trading in Tokyo.

● AUSTRIA'S OTOB futures and options exchange is to launch a new Austrian Traded Index (ATX) contract on August 7, Reuter reports. ATX futures and options contracts – a weighted index based on the 18 continuously traded Austrian shares – will supplement the existing options contracts on six shares listed since OTOB was launched last year.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.3773	-0.142	8.89	8.97	9.16
BELGIUM		9.000	08/01	100.4000	-	8.93	8.89	8.78
CANADA *		8.500	04/02	102.530	-0.150	8.13	8.35	8.50
DENMARK		9.000	11/00	99.2800	+0.030	9.11	8.94	8.74
FRANCE	BTAN	8.500	03/97	98.2293	+0.074	8.95	8.93	8.73
	OAT	8.500	11/02	98.4000	+0.340	8.72	8.73	8.53
GERMANY		8.000	01/02	100.1900	-0.010	7.96	7.91	7.95
ITALY		12.000	05/02	95.5200	+0.290	13.22†	13.11	12.55
JAPAN	No 119	4.800	06/99	95.8037	+0.289	5.63	5.75	5.75
	No 129	6.400	03/00	105.4150	+0.377	5.41	5.51	5.49
NETHERLANDS		8.250	02/02	99.8100	+0.090	8.26	8.28	8.32
SPAIN		11.300	01/02	98.3500	+0.500	11.56-	11.42	10.80
UK GILTS		10.000	11/96	102.8438	-	9.19	9.23	9.15
		9.750	08/02	103.8438	-2/32	9.16	9.15	9.03
		9.000	10/08	99.7818	+1/32	9.02	9.03	8.91
US TREASURY *		7.500	05/02	102.000	+5/32	7.21	7.35	7.27
		8.000	11/21	102.000	+3/32	7.82	7.90	7.81
ECU (French Govt)		8.500	03/02	96.9000	+0.200	8.98	8.94	8.56

London closing, *denotes New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Pubs group to refinance £250m of bank debt

By Simon London

INNTREPRENEUR Estates, the joint venture company set up by Grand Metropolitan and Courage in 1990, is planning to refinance £250m bank debt with a 20-year bond issue.

Proposals for the secured debenture issue, arranged by NatWest Capital Markets, were presented to UK institutional investors in London and Edinburgh this week.

The funds raised from the bond issue will be use to pay down a portion of almost £1.5bn raised from a syndicate of banks in 1991 for the acquisition of pubs. The main £1.325bn credit was syndicated among 20 banks, arranged by Citicorp, S.G. Warburg, Barclays and Natwest. The granting of security to bond holders has already been approved by the company's bank lenders.

Bankers said yesterday that the reaction of institutional investors to the proposed deal was positive. However, Inntrepreneur is a unique credit and the structure of the deal will make direct comparison with outstanding bond issues difficult.

The company holds around 7,000 pubs formerly owned by GrandMet and Courage, a subsidiary of Foster's of Australia.

The joint venture was formed in response recommendations by the Monopolies and Mergers Commission, which ruled that brewery companies should own only a limited number of pubs.

Inntrepreneur leases the properties to landlords on 20-year leases, longer than usual in the licensed trade. The long contracts are designed to encourage lease-holders to invest cash in the business and upgrade the properties. If the value of the businesses increases, Inntrepreneur is able to charge higher rents and generate additional cash flow.

The bonds will be secured on a pool of assets which broadly reflects Inntrepreneur's portfolio of properties.

The pricing of the issue remains undecided. Pub operator Devenish this week placed £30m long-dated debentures secured on its estate of pubs at a yield 125 basis points more than long-dated gilts. However, the issue is far smaller and less liquid than the proposed Inntrepreneur transaction.

The benchmark debenture issue in the sector, a £350m issue from Allied Lyons, trades at a spread of around 85 basis points. Bankers said yesterday the Inntrepreneur bonds were likely to be priced between these two levels.

Computerised trading system for Budapest SE

By Richard Waters

THE BUDAPEST Stock Exchange has become the first in eastern Europe to order a computerised trading system, reflecting its ambitions of becoming an international centre for securities trading in the region.

With Ecu1.9m provided by the European Community, the exchange is buying a trading system based on Nordex, the cross-border market developed for Swedish and Norwegian shares.

The exchange currently has only a handful of shares and bonds listed. But privatisation in the coming months is expected to add rapidly to this list. Also, the exchange hopes that rapid computerisation will increase investor confidence that it is running an efficient and transparent stock market.

The exchange intends to continue with its open outcry market, and add an electronic limit order book allowing investors' orders to be completed automatically.

Besides the limit order book, the automation will involve equipping 55 booths for brokers, and two trading posts with price display screens.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105¾	106¼	+⅛	6.08	BAYERISCHE VEREINS INT 7 94 LFr	600	94¾	95¾		9.88
ALBERTA PROVINCE 9 3/8 95	600	109⅛	109⅝	+⅛	6.26	COPENHAGEN TEL 8 5/8 96 LFr	600	98¾	99⅝		9.15
AUSTRIA 8 1/2 00	400	106¼	106½	+⅛	7.41	WORLD BANK 8 96 LFr	1000	96⅞	97⅞		8.98
[illegible]						[illegible]					

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]						[illegible]				

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]						[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	43	9	29
Other Fixed Interest	4	2	11
Commercial, Industrial	155	424	862
Financial & Property	34	307	454
Oil & Gas	5	37	44
Plantations	0	0	9
Mines	17	39	97
Others	18	76	39
Totals	276	894	1,545

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or-
[illegible]							

LIFFE EQUITY OPTIONS

Option		CALLS Jul	Oct	Jan	PUTS Jul	Oct	Jan
All'd Lyons (*659)	600	70	89	100	2½	9½	15
	650	28	54	66	13	25	32
	700	[illegible]				53	56
[illegible]							

Option		CALLS Aug	Nov	Feb	PUTS Aug	Nov	Feb
BAA (*669)	600	84	102	111	3	6½	11
	650	43	66	76	12	19	25
	700	16	37	48	39	44	47
[illegible]							

Option		CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
Eurotunnel (*337)	330	18	42	50	7	28	40
	360	3	25	40	35	50	52
[illegible]							

EURO FT-SE INDEX (*2599)

FT-SE INDEX (*2599)

June 17 Total Contracts 29,979 Calls 15,597 Puts 10,382

FT-SE Index Calls 6,951 Puts 4,615

Euro FT-SE Calls 595 Puts 402

*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTIONS

- First Dealings June 8
- Last Dealings June 19
- Last Declarations Sept. 3
- For settlement Sept. 14

3-month call rate indications are also shown on this page.

Calls in Midland & Scottish Res., Ratners and Wilshaw. Puts in Airtours and Saatchi & Saatchi. Double (Put and call) in Ratners.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS		Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	33	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	9	Courtaulds	34	Lex Service	22	TI	55	BP	18
Asda (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Brit Gas	[illegible]
BAT Inds	58	FKI	6	Lonhro	12	Tesco	22	Burmah Castrol	48
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Conroy Pet	6½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Gaelic Res	½
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Premier Cons	2¾
Blue Circle	24	Gen Accident	38	NatWest Bank	28	Vickers	15	Shell	35
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	Tuskar Res	½
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		■ MINES	
Brit Aerospace	28	Grand Met	39	RHM	19	Brit Land	19	RTZ	47
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
Brit Telecom	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

The information contained in this document is in summary form and has been derived from, and should be read in conjunction with, the full prospectus dated 17th June 1992 (the "Prospectus"). The Prospectus comprises approved listing particulars relating to Kenwood Appliances plc (the "Company") in accordance with the listing rules made under section 142 of the Financial Services Act 1986 and alone contains full details of the history and business of the Company and its subsidiaries. Copies of the Prospectus are available at the addresses listed below. Words and expressions defined in the Prospectus have the same meanings when used in this document, unless the context requires otherwise. The directors of the Company, whose names appear on page 2 of the Prospectus, are satisfied that this document contains a fair summary of the key information set out in the Prospectus. In applying for shares in the Company, you will be treated as applying on the basis of the information in the Prospectus and on the terms and conditions of application set out below. Before deciding to apply for shares, you are advised to read the Prospectus and to consult an independent financial adviser authorised under the Financial Services Act 1986. The London Stock Exchange has authorised the issue of this document under section 154(1)(b) of the Financial Services Act 1986 without approving the contents. Application has been made to the London Stock Exchange for the whole of the ordinary share capital of the Company, issued and now being issued, to be admitted to the Official List.

KENWOOD Appliances plc

(Incorporated and registered in England and Wales under the Companies Act 1985. Registered No. 2390006)

Placing and Public offer by Schroders

of 23,226,386 ordinary shares of 10p each

at 285p per share

payable in full on application

of which 11,613,193 shares are being placed and 11,613,193 shares are being offered to the public

The application lists for the shares which are the subject of the Public offer will open at 10.00 a.m. on 24th June 1992 and may be closed at any time thereafter. The procedure for application and an Application Form in respect of the Public offer are set out below. It is expected that listing will become effective and that dealings in the shares will commence on 1st July 1992.

Upon Admission, the shares which are the subject of the Placing and the Public offer will rank pari passu in all respects with the existing issued ordinary shares of Kenwood Appliances plc and will rank in full for all dividends or other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

The shares have not been and will not be registered under the United States Securities Act of 1933 and may not, subject to certain exceptions, be offered or sold within the United States. This document should not be distributed into the US.

Share capital immediately following the Placing and Public offer

Authorised		Issued and fully paid
£20,167,874.30	in ordinary shares of 10p each	£3,668,196.20

Indebtedness

At the close of business on 29th May 1992, the Group had outstanding borrowings or indebtedness in the nature of borrowings of £40.8 million, comprising unsecured loan notes of £1.9 million, obligations under finance leases of £0.1 million, other borrowings or indebtedness in the nature of borrowings of £37.7 million (of which £0.4 million was unsecured) and other contingent liabilities of £1.1 million. At the same date, the Group had cash balances of £0.7 million.

Save as aforesaid, and apart from intra-group liabilities, neither Kenwood Appliances plc nor any of its subsidiaries had at that date any mortgages, charges, loan capital (whether outstanding or created but unissued) or any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, obligations under finance leases, guarantees or other material contingent liabilities.

Terms and conditions of application – Public offer

1 The contracts arising from acceptance of applications will be conditional on the admission of the ordinary share capital of the Company, issued and now being issued, to the Official List of the London Stock Exchange becoming effective by the making of an announcement in accordance with Rule 520 of the Rules thereof by the London Stock Exchange on or before 9th July 1992 and on the Offer Agreement referred to in section 12 of Part 5 of the Prospectus becoming wholly unconditional and not being terminated before such announcement. Cheques or banker's drafts for amounts payable on application may be presented for payment before such conditions are satisfied and the application moneys will be kept in a separate bank account and, if such conditions are not satisfied, will be returned (without interest) by crossed cheque in favour of the applicant(s) through the post at the risk of the applicant(s) to the address of the first-named applicant. It is expected that admission of the ordinary share capital of the Company to the Official List will become effective on 1st July 1992.

2. Subject to these terms and conditions, Schroders reserves the right to reject in whole or in part or to scale down any applications including, in particular, multiple or suspected multiple applications, and to present any cheques or banker's drafts for payment on receipt. The right is reserved to reject any application in respect of which the applicant's cheque or banker's draft has not been cleared by 5.00 p.m. on 29th June 1992. If any application is not accepted, or is accepted for fewer shares than the number applied for, the application moneys, or, as the case may be, the balance of the application moneys, will be returned (without interest) by sending the applicant's cheque or banker's draft or a crossed cheque in favour of the applicant(s) through the post to the address of the first-named applicant at the risk of the person(s) entitled to it. Schroders further reserves the right to treat as valid and binding upon the applicant(s) any application, even if the accompanying Application Form is not completed in all respects in accordance with the instructions or is not accompanied by a power of attorney where necessary.

3. Applications (other than those under the terms of the Employee priority offer referred to in paragraph 5 below) must be made on the accompanying Application Form. By completing and delivering an Application Form you as the applicant(s) (and if you sign the Application Form on behalf of somebody else or a corporation that person or corporation):

(i) offer to purchase the number of shares specified in your Application Form (or such smaller number for which the application is accepted) on the terms and subject to the conditions set out in this form (of which the Procedure for application forms part) and subject to the Prospectus and the memorandum and articles of association of the Company;

(ii) authorise Lloyds Bank Plc to send on behalf of Schroders a letter of acceptance for the number of shares for which your application is accepted and/or a crossed cheque for any moneys returnable, by post (without interest), at the risk of the person(s) entitled to it, to your address (or, in the case of joint applicants, to that of the first-named applicant as set out in your Application Form) and to do all things necessary to procure that your name (together with the name(s) of any other joint applicant(s)) is/are placed on the register of members of the Company in respect of such shares the entitlement to which has not been duly renounced;

(iii) agree that, in consideration of Schroders agreeing that it will not prior to 9th July 1992 sell any of the shares offered to any person other than by means of the procedures referred to in the Prospectus, your application may not be revoked until after 9th July 1992 and that this paragraph shall constitute a collateral contract between you and Schroders which will become binding on despatch by post to or, in the case of applications delivered by hand, receipt by Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE of the Application Form;

(iv) warrant that your remittance will be honoured on first presentation and agree that, if such cheque or banker's draft is not so honoured, you will not be entitled to receive a letter of acceptance in respect of the shares applied for or any rights or distributions in respect of such shares unless and until you make payment in cleared funds for such shares and such payment is accepted by Schroders, which acceptance shall be in its absolute discretion and on the basis that you indemnify both the Company and Schroders against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation and that at any time prior to unconditional acceptance of such late payment Schroders may (without prejudice to other rights) avoid the agreement to sell such shares without liability to you and may sell such shares to some other person;

(v) agree that any letter of acceptance to which you may become entitled and moneys returnable to you may be retained pending clearance of your remittance and such moneys retained will bear no interest;

(vi) agree that in respect of those shares for which your application has been received and is not rejected, allocation of such shares to you shall be constituted, at the election of Schroders, either by notification to the London Stock Exchange of the basis of allocation (in which case allocation shall be on that basis) or by the determination of the number of shares to be allocated pursuant to the arrangements made between Schroders and Lloyds Bank Plc;

(vii) agree that all applications, acceptances of applications and contracts resulting from them under the Offer shall be governed by, and construed in accordance with, English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of Schroders or the Company to bring any action or proceedings in connection with any such applications, acceptances or contracts in any other manner permitted by law or in any court of competent jurisdiction;

(viii) agree, on request by Schroders, to disclose promptly in writing to it any information which it may request in connection with your application;

(ix) if the laws of any place outside the UK are applicable to your application, warrant that you have complied with all such laws and none of the Company, Schroders or any of their respective agents will infringe any laws outside the UK as a result of their acceptance of your application;

(x) warrant that, if you sign an Application Form on behalf of somebody else or a corporation, you have the authority to do so and that such other person or corporation will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application;

(xi) confirm that in making this application neither you nor any person on whose behalf you are applying is relying on any information or representation in relation to the Company or to any other member of the Group other than such as may be contained in the Prospectus and you accordingly agree that no person responsible solely or jointly for that document, or any part of it, shall have any liability for any such information or representation;

(xii) warrant that no other application (not being an application under the terms of the Employee priority offer) is being made by you for your own account or by another on your behalf or for your benefit and with your knowledge for such purpose or, if you are applying as agent or nominee of another, no other application is being made by you (not being an application as aforesaid) as an agent or nominee for that other person and that other person is not, to your knowledge, acting in concert with any person or persons as aforesaid;

(xiii) warrant that you are not a person in the United States as provided in Rule 903 under the US Securities Act of 1933 and are not applying on behalf of, or with a view to re-offer, sale, renunciation, transfer or delivery to, or for the benefit of, any such person;

(xiv) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations concerning the Company and other members of the Group contained therein;

(xv) except to the extent that you delete points (i), (ii) and (iii) set out below Box 7 on the Application Form, warrant that you are not any such person as there referred to. This is for stamp duty purposes; and

(xvi) warrant that you are not, and are not applying on behalf of a person who is, under 18 years of age on the date of your application other than for the benefit of a minor as described in the procedure for application.

4. The basis of allocation in respect of applications made on the accompanying Application Form will be determined by Schroders in its absolute discretion.

5. In accordance with the arrangements described under "Special arrangements for employees in the Public offer" in section 7 of Part 5 of the Prospectus, up to 10 per cent of the ordinary shares which are the subject of the Public offer are reserved in the first instance for applications for the benefit of full and part-time employees of the Group in the UK employed on 16th June 1992, non-executive directors and certain retirees of the Group made pursuant to the Employee priority offer. Such applications must be made on the Pink Application Forms which are being made available to such persons. The persons eligible to apply on Pink Application Forms are specified in section 7 of Part 5 of the Prospectus and in the Pink Application Form. Persons eligible to apply on such forms may also make a single application on the Application Form. Excess applications under the Employee priority offer will be treated as having been made under the Public offer, unless the directors have, in their absolute discretion, after consultation with Schroders, rejected the application.

6. No person receiving a copy of the Prospectus or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such form could lawfully be used without contravention of any registration or other regulatory or legal requirements. It is a condition of any application by any person outside the UK that he has satisfied himself as to full observance of the laws of any relevant territory in connection with the application, including obtaining any requisite governmental or other consents which may be required and compliance with any other requisite formalities, and paying any issue, transfer or other taxes due in any such territory. The Prospectus and the other documents relating to the Offer have not been submitted to the clearance procedures of any European or other authorities other than relevant authorities in the UK.

7. The shares which are being offered have not been, and will not be, registered under the US Securities Act of 1933, and, subject to certain exceptions, shares may not be offered or sold within the United States. The terms and conditions of application incorporate a warranty that the applicant is not in the United States, and is not applying on behalf of, or with a view to re-offer, sale, renunciation, transfer or delivery to, or for the benefit of, any person in the United States. Registration application forms on letters of acceptance will contain a warranty to the same effect by or on behalf of the person(s) in whose name(s) the shares are to be registered. In addition, until 40 days after the date of the Prospectus, an offer or sale of the shares within the United States by any dealer (as defined in the US Securities Act of 1933) (whether or not participating in the offering) may violate the registration requirements of the US Securities Act of 1933.

8. Words and expressions defined in the Prospectus have the same meanings in these terms and conditions, unless the context requires otherwise.

Basis of acceptance and dealing arrangements

Applications must be received by 10.00 a.m. on 24th June 1992, by post or by hand to Lloyds Bank Plc, Registrar's Department, Issue Section, P O. Box 1000, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE. The application lists will open at 10.00 a.m. on 24th June 1992 and will close as soon thereafter as Schroders may determine. Acceptance of any application will be effected at the election of Schroders either by notification to the London Stock Exchange of the basis for allocation or by notification of such acceptance to Lloyds Bank Plc, Registrar's Department, Issue Section, PO Box 1000, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE. The basis on which applications have been accepted will be announced as soon as possible after the application lists close. It is expected that temporary documents of title, in the form of renounceable letters of acceptance, will be posted to successful applicants on 30th June 1992 but will not be negotiable until 1st July 1992. Dealings in the shares are expected to commence on 1st July 1992. Dealing prior to receipt of renounceable letters of acceptance will be at the risk of applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all.

A successful applicant may sell or otherwise dispose of some or all of the shares in respect of which his application has been accepted by execution of the form of renunciation on his letter of acceptance and delivery of the letter of acceptance to the transferee.

Persons who lodge letters of acceptance (duly completed in accordance with the instructions contained in them) for registration under the Offer by 3.00 p.m. on 6th August 1992 will not be required to pay any registration fees (or stamp duty or stamp duty reserve tax ("SDRT")) upon such registration. After this time, shares will be transferred by means of an instrument of transfer which will normally attract a charge to stamp duty. Share certificates will be despatched by first class post on or before 3rd September 1992.

Individual shareholders will also have the right to have shares up to a total value of £9,000 (including any shares purchased under the Employee priority offer) allotted or transferred into PEPs (including the Corporate PEPs) within 42 days after Admission.

Stamp duty and stamp duty reserve tax

The directors have been advised that in relation to the Public offer:

(a) no charge to ad valorem stamp duty will arise on the transfer to applicants of shares represented by renounceable letters of acceptance;

(b) no SDRT will be payable on the registration of shares obtained pursuant to a letter of acceptance (whether or not they have been renounced prior to registration); and

(c) the initial purchaser of rights to shares represented by a letter of acceptance will not be liable to SDRT except where sections 93 or 96 of the Finance Act 1986 apply (broadly these sections apply where the applicant is, or is a nominee for, either a person whose business is, or includes, issuing depositary receipts or a person whose business is, or includes, the provision of clearance services for the purchase or sale of chargeable securities). Any subsequent purchaser of rights to shares represented by a letter of acceptance will be liable to SDRT generally at the rate of 50p per £100 (or part thereof) of the consideration paid.

The above statements are intended as a general guide to the current position. Any person who has applied for shares in the Placing is referred to the placing letter for details of his stamp duty and SDRT position. Any person who is in any doubt as to his position should consult his professional adviser.

Procedure for application — Public offer

The following instructions should be read in conjunction with the Application Form.

1 Insert in Box 1 (in figures) the number of shares for which you are applying. Applications must be for a minimum of 100 shares and in one of the following multiples:

- for more than 100 shares, but not more than 1,000 shares, in a multiple of 100 shares;
- for more than 1,000 shares, but not more than 5,000 shares, in a multiple of 500 shares;
- for more than 5,000 shares, but not more than 10,000 shares, in a multiple of 1,000 shares;
- for more than 10,000 shares, but not more than 50,000 shares, in a multiple of 5,000 shares; and
- for more than 50,000 shares, in a multiple of 10,000 shares.

An Application Form for any other number of shares may be rejected.

2 Insert in Box 2 (in figures) the amount of your payment.
The amount of your cheque or banker's draft should be 285p multiplied by the number of shares inserted in Box 1.

3 Sign and date the Application Form in Box 3.
The Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant(s)) if duly authorised by power of attorney to do so, but the power of attorney pursuant to which this is done (or a copy certified by a solicitor) must be enclosed for inspection.

A corporation should sign under the hand of a duly authorised officer whose representative capacity must be stated.

4 Insert your full name and address in BLOCK CAPITALS in Box 4.
Applications may only be made by persons aged over 18. However, a parent, grandparent or guardian of a person under 18 may apply for the benefit of that minor. To apply for the benefit of a minor, you should put your own name in full in Box 4 and complete the minor's details box, within Box 4, with the full names of the minor and the minor's date of birth. You are not thereby precluded from making a single application for your own benefit. See notes 6 and 7 for joint applications.

5 You must pin to the completed Application Form a single cheque or banker's draft for the full amount payable. Your cheque or banker's draft must be payable to "Lloyds Bank Plc A/C Kenwood Appliances plc Offer" for the amount payable on application inserted in Box 2 and should be crossed "Not negotiable".

No receipt will be issued for this payment which must be solely for this application.

Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the UK, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided for the members of those Clearing Houses and must bear the appropriate sorting code number in the top right hand corner.

Applications may be accompanied by a cheque or banker's draft drawn by someone other than the applicant(s), but any moneys to be returned will be sent by crossed cheque in favour of the person(s) named in Boxes 4 and 6 (if any).

If you are also applying on the Pink Application Form, you must pin a separate cheque or banker's draft to each completed Application Form.

6 You may apply jointly with up to three other persons.
If you do so, you must then arrange for the Application Form to be completed by or on behalf of each joint applicant (up to a maximum of three other persons, in addition to the first applicant). Their full names and addresses should be put in BLOCK CAPITALS in Box 6. Letters of acceptance in the names of joint applicants will be sent to the applicant named in Box 4.

IMPORTANT: If you make a joint application, you will not be able to transfer the shares into a PEP. If you are interested in transferring your shares into a PEP, you should apply in your name only.

7 Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should sign in Box 3 and complete Box 4).

If any individual is signing on behalf of any joint applicant(s), the power(s) of attorney (or a copy (copies) certified by a solicitor) must be enclosed for inspection.

8 If you are unable to warrant in the terms of any of points (i), (ii) or (iii) set out below Box 7, you must delete the relevant warranty and give such further information as is requested.
You must send the completed Application Form together with the cheque or banker's draft by post, or deliver it by hand, to Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE so as to be received not later than 10.00 a.m. on 24th June 1992.
If you post your Application Form, you are recommended to use first class post and allow at least two working days for delivery.
Photostat copies of Application Forms will not be accepted. Multiple or suspected multiple applications may be rejected in their entirety.

Key information

Summary

Kenwood is an internationally-recognised brand name and the Kenwood Group is a leading European manufacturer and supplier of food preparation appliances. The Group markets products with a reputation for quality and durability and is best known for the Kenwood Chef mixer.

Kenwood's strategy in recent years has been to improve and expand its core range of food preparation products and to realise more of the potential of the Kenwood brand name. Key to this has been the introduction of new product ranges and a continuing process of improving existing products. It has also broadened the geographical spread of its operations. Group sales are split approximately one third to each of the UK, Continental Europe and the rest of the World.

In the five years ended 31st March 1992, the Group's sales have risen from £65.2 million to £92.1 million and operating profit has risen from £1.4 million to £9.5 million.

Kenwood's improved capital base following the Offer will enable the Group to finance the development of more new products and to continue to broaden its geographical spread.

Trading record

Set out below is the Group's trading record in respect of its continuing activities for the five years to 31st March 1992, which has been extracted from the historical consolidated profit and loss accounts contained in the Accountants' report in Part 4 of the Prospectus. In particular, your attention is drawn to page 28 of the Prospectus which sets out fully the profit and loss record of the Group for the five years.

	Year ended 31st March				
	1988 £000	1989 £000	1990 £000	1991 £000	1992 £000
Turnover	65,166	62,438	66,740	76,009	92,056
Operating profit before exceptional items, interest and other payments to Thorn EMI	1,402	4,000	4,229	6,559	9,511

Offer statistics

Offer price per share	285p
Number of shares in issue following the Offer	36,681,962
Market capitalisation at the Offer price	£104.5 million
Percentage of enlarged share capital now being offered	63.3 per cent
Net proceeds of the Offer	£63.5 million
Net proceeds receivable by the Company	£39.5 million
Historical earnings per share for the year ended 31st March 1992	16.4p
Pro forma earnings per share for the year ended 31st March 1992	18.9p
Price-earnings ratio (based on pro forma earnings per share)	15.1 times
Notional net dividend per share in respect of the year ended 31st March 1992	7.5p
Gross dividend yield (based on notional net dividend) at the Offer price	3.5 per cent

Notes:
(1) The bases and methods of calculation of the pro forma earnings per share, price-earnings ratio and gross dividend yield are set out in Financial information in Part 2 of the Prospectus.
(2) National Westminster Bank Plc is purchasing a total of 1,399,218 shares from existing shareholders in order to make those shares available under the ESOP options, details of which are set out in Additional information in section 6(e) of Part 5 of the Prospectus.
(3) The net proceeds receivable by the Company will be used principally to repay £33.4 million of outstanding bank loans.

Availability of documents

Copies of this document, the Prospectus and the Application Form may be obtained for a period of 14 days from 17th June 1992, from:

J. Henry Schroder Wagg & Co. Limited
120 Cheapside
London EC2V 6DS

Rowe & Pitman Ltd.
1 Finsbury Avenue
London EC2M 2PA

Kenwood Appliances plc
New Lane
Havant
Hampshire PO9 2NH

Lloyds Bank Plc
Registrar's Department
2nd Floor
Bolsa House
80 Cheapside
London EC2V 6EE

and from the following branches of Lloyds Bank Plc:

Birmingham
125 Colmore Row
Birmingham B3 3AD

Bristol
55 Corn Street
Bristol BS99 7LE

Edinburgh
113/115 George Street
Edinburgh EH2 4TF

Havant
4 West Street
Havant
Hampshire PO9 1PE

Leeds
6-7 Park Row
Leeds LS1 1NX

Liverpool
India Buildings
Water Street
Liverpool L69 2BT

London
132 Regent Street
London W1A 4BH

Manchester
53 King Street
Manchester M60 2ES

Newcastle Upon Tyne
102 Grey Street
Newcastle Upon Tyne
NE99 1SL

Copies of the Prospectus are also available for collection from the Company Announcements Office, the London Stock Exchange, Capel Court Entrance, Bartholomew Lane, London EC2, for a period of two days from 17th June 1992.

KENWOOD Appliances plc

Public offer Application Form

Before making any application to acquire shares you are recommended to consult an independent financial adviser authorised under the Financial Services Act 1986.
Public offer by Schroders of 11,613,193 ordinary shares of 10p each in Kenwood Appliances plc ("shares") at 285p per share, payable in full on application

1 I/We offer to acquire ______ shares

at the Offer price of 285p per share (or any smaller number of shares for which this application is accepted) payable in full on application on the terms and conditions set out in this Application Form and the Prospectus dated 17th June 1992 and subject to the memorandum and articles of association of Kenwood Appliances plc

2 and I/we attach a cheque or banker's draft for the amount payable to "Lloyds Bank Plc A/C Kenwood Appliances plc Offer" £ ______
(285p multiplied by the number of shares inserted in Box 1).

3 Dated ______ 1992 Signature ______

4 Please use BLOCK CAPITALS

Forename(s) (in full) ______
Mr, Mrs, Ms, Miss or title
Surname ______
Minor's forename(s) (in full) ______
Surname ______ Date of birth ______
Address (in full) ______
______ Postcode ______

5 ☐ Pin here your cheque or banker's draft made payable to "Lloyds Bank Plc A/C Kenwood Appliances plc Offer" and crossed "Not negotiable" for the amount in Box 2

FOR OFFICIAL USE ONLY
1. Form no.
2. Acceptance no.
3. Shares allocated
4. Amount received £
5. Amount payable £
6. Amount returned £
7. Cheque no.
8. Splits registration

Fill in Boxes 6 and 7 only when there is more than one applicant. The first or sole applicant should sign in Box 3 and complete Box 4. Insert in Box 6 the names and addresses of the second and subsequent applicants, each of whose signature is required in Box 7.
N.B. If you make a joint application, you will not be able to transfer the shares into a PEP.

6 Please use BLOCK CAPITALS

Forename(s) (in full) / Mr, Mrs, Ms, Miss or title / Surname / Address (in full) / Postcode	Forename(s) (in full) / Mr, Mrs, Ms, Miss or title / Surname / Address (in full) / Postcode	Forename(s) (in full) / Mr, Mrs, Ms, Miss or title / Surname / Address (in full) / Postcode

7

Signature	Signature	Signature

Except to the extent that you delete any of the following, you warrant that:
(i) I/We am/are not applying as, or as (a) nominee(s) or agent(s) for, (a) person(s) who is/are or may be persons mentioned in section 93 or section 96 of the Finance Act 1986 (depositary receipts and clearance services).
(ii) I/We am/are not applying as, or as (a) nominee(s) or agent(s) for, (a) person(s) who is/are (a) market maker(s) in the shares of Kenwood Appliances plc within the meaning of section 81 of the Finance Act 1986. If this warranty is deleted, please state the date on which application for registration as a market maker in respect of the shares was made to the London Stock Exchange.
(iii) I/We am/are not applying for registration as, or as (a) nominee(s) or trustee(s) for, a body of persons established for charitable purposes only. If this warranty is deleted, please state name of charity and registered number (where applicable).

Applications must be received by 10.00 a.m. on 24th June 1992. The completed Application Form together with a cheque or banker's draft for the amount payable should be posted, or delivered by hand, to Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 2nd Floor, Bolsa House, 80 Cheapside, London EC2V 6EE. Any person signing this Application Form under a power of attorney must enclose the original power of attorney (or a copy certified by a solicitor) for inspection.

COMPANY NEWS: UK

Kenwood flotation price set at 285p

By Richard Gourlay

KENWOOD APPLIANCES, the kitchen equipment maker, will go on sale to the public at 285p a share next week, valuing the management buy-out from Thorn EMI at £104.5m.

Half the 23.2m shares for sale were placed yesterday with a range of institutions.

The price puts a 15.1 multiple on historical earnings on a pro-forma basis – that is adjusting for what Kenwood would have made in the year to March 1992 had it enjoyed the proceeds of the share sales throughout the year. The *notional net dividend yield is* 3.5 per cent.

Kenwood will raise about £39.5m after offering for sale a higher-than-expected 63.3 per cent of the enlarged capital.

Thorn-EMI, which sold Kenwood to a management buy-out in 1989, will retain a 3 per cent stake which it cannot sell in 1992 while the MBO team is prevented from selling within the next year.

Candover Investments, the venture capital supplier, will retain an 18 per cent stake.

Timothy Parker: listing offers flexibility for expansion

Mr Timothy Parker, chief executive, said Kenwood would continue to grow through introduction of new products but that last year's 40 per cent growth in operating profit would not be repeated.

In addition to repaying all £33.4m of bank debt, the listing would allow Kenwood greater flexibility to expand either through acquisition or capital investment and would reduce the likelihood of constraints on future product development.

Brokers to the offers are Rowe & Pitman while the flotation has been sponsored by Schroders.

● COMMENT

It was perhaps unfortunate that Kenwood should price its flotation just as Philips warned that profits would be hit by poor consumer spending. A 285p flotation price is also somewhat expensive, putting the company's prospective earnings on a premium to the *market as a whole*. Kenwood does, however, have a lot going for it and should continue to attract institutional interest after the placing. Operating profits, despite the recession hitting Philips and others, have grown rapidly through introduction of new products and it has strong non-UK sales, unlike Pifco, another kitchen product competitor. But according to brokers James Capel, *its strongest asset is the* Kenwood brand, a name that was selling food mixers when most of the subscribing public were *not even born*. Another factor supporting yesterday's pricing is the 18 per cent stake that Candover Investments retains in the company. The venture capital group will be slowly reducing that stake and will have been keen to see an orderly and upward price movement in the after market. While Kenwood is a growth company, it is by no means hi-tech and will not maintain last year's phenomenal growth. But for longer term investors, or those simply attracted by owning a name on their kitchen counters, the pricing is attractive.

Dixons refinances Belgian offices

By John Thornhill

CODIC, the Belgian property subsidiary of the Dixons electrical retailing group, has refinanced its Beaulieu office development in Brussels with a group of international *banks, valuing the site at* £93.3m.

But the transaction will not be reflected in Dixons profit and loss account due to expected changes in accounting standards practices.

The refinancing, via a new company, Espace Beaulieu, guarantees Codic a minimum level of profit and removes the risk of holding the property in an uncertain market. But, following the recommendations of the proposed Statement of Standard Accounting Practice ED 49, Dixons will treat Espace Beaulieu as a consoli*dated subsidiary* company.

"The reality is that we have transferred the risk and have effectively made a sale, but for projected accounting reasons we have been unable it to register it as a sale," Mr Robert Shrager, Dixons finance *director, said yesterday*. "It will *have no immediate effect on* the profit and loss account until Espace Beaulieu sells it to a third party when the profit can be recognised."

The refinancing was arranged by Citibank, with ASLK-CGER Bank acting as the senior lead manager.

Exceptionals and interest costs leave Waddington 22% lower

By Peggy Hollinger

HIGHER interest charges and redundancy costs knocked pretax profits at John Waddington, the packaging, printing and games company, back 22 per cent to £12.5m last year.

The company, which yesterday also announced the appointment of managing director Mr Martin Buckley as *chief executive*, revealed a strong performance at the operating level, however, where profits were just £340,000 down at £18.3m on turnover slightly ahead to £231m (£228m).

Interest charges rose by £1m to £3.6m for the 12 months to April 4, although gearing by the year-end had fallen from 54 to 42 per cent. Net debt was down by £6m to £29m.

The 140 redundancies and other cost cutting measures taken by the group would result in annual savings of more than £2m, said Mr Geoffrey Gibson, finance director.

Packaging showed the greatest improvement with a £2m increase in operating profits to £11.5m.

The printing division suffered from declining demand and severe competition in the UK business stationery market. Operating profits tumbled from £4.7m to £2.5m.

Games, the business for which Waddington is best known with names such as Cluedo and Monopoly, fell by £200,000 to £3.4m at the operating level.

Mr David Perry, who was appointed deputy chairman yesterday, said the company was set to benefit from the £96m five-year capital expenditure programme.

Earnings per share dropped from 14.75p to 11.59p. The propsed final dividend was maintained at 4.3p, for an unchanged total of 7.9p.

● COMMENT

The only surprise in Waddington's results was its decision to take the £5.3m charge on the disposal of plastics business, Pacplas, below the line. But since this is in accordance with *current law, there* were few quibbles. The capex programme has yet to prove whether it can bring any dramatic returns, but will ensure the company has protected operating profits. The new £17m carton factory is a feather in Waddington's cap, but it is getting lower prices than expected. Credit must go to management for holding operating profits. Nevertheless, *the jury appears to be out on* whether it can boost them enough to provide significant earnings growth. Forecasts are for £17m next year, and the shares at 204p leave a multiple of 13 times. A solid company, if unexciting at the moment.

Placing at 130p values Country Casuals at £22m

SHARES in Country Casuals, the women's clothing retailer and designer, were yesterday placed with a variety of institutions at a price of 130p, valuing the company at £22.2m, writes Richard Gourlay.

The shares will begin trading on June 25, but there is no public offering for sale.

The price represented 15.9 times pro-forma earnings for the year to January. Some 8.3m of the 17.1m shares in issue were placed.

The management team, led by Mr John Shannon, chairman, will be left with 32.5 per cent of the enlarged capital, while Invesco MIM, will retain a 14.4 per cent stake.

Mr Shannon said he saw the flotation of Country Casuals as "a beginning" not the end of the process begun in 1989 when Coats Viyella sold the company to his management buy-in team.

He expected growth to come from continued expansion of the Country Casuals brand through more retail outlets and through the introduction of its Diffusion Sport casual wear.

The company was in no hurry to expand through acquisition, but it intended to apply the same management techniques that revived Country Casuals to another brand which it would buy in the medium term.

Country Casuals designs and sells tailored and knitted separates for the £7bn a year outerwear ladies market.

Last year pre-tax profits were £2m on sales of £36m. Having started with debt of £10.5m, the company had positive net cash at the last year-end. Since the buy-in, trading margins have increased from 4.4 per ent to 6.1 per cent.

The company will be receiving £4.6m after expenses from the shares sale.

Italians invest in white goods unit of Polly Peck

By Haig Simonian

THE ADMINISTRATORS of Polly Peck International, have agreed a deal under which Merloni Elettrodomestici, the Italian white goods group best known for its Ariston brand, has bought 25 per cent of two Turkish white goods producers owned by Vestel, the Turkish consumer electronics subsidiary of the collapsed fruit and electronics conglomerate.

Separately, Candy, another leading Italian manufacturer, has signed a L70bn (£31.8m) *deal with the Libyan govern*ment to build and equip a plant to produce 50,000 refrigerators within the next two years.

The Merloni deal, being conducted jointly with Philco Italia, in which Merloni has a 50 per cent stake, includes an option to buy a further minimum 26 per cent share in the two Turkish companies within the next two years.

Merloni is paying \$8m (£4.3m) with a further \$9.5m if it exercises its option.

It is also injecting \$8m in capital into the two companies, which were set up recently.

Coopers & Lybrand Deloitte, Polly Peck's administrator, said the sale was unlikely to provide any funds for the £1.3bn owed to the 23,000 creditors.

The two Turkish groups are *called Pekel Teknik and Pekel* Pazarlama. They have 750 employees and make fridges and washing machines respectively.

Combined output amounted to about 200,000 units last year, and is forecast to rise to 300,000 this year, two-thirds of it fridges.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Booth Industries ......fin	2.5	Oct 1	2.5	3.2	3.2
Bulgin (AF) ....fin	0.1	Aug 14	0.1	0.1	0.1
Cable & Wireless .....fin	*9*	Oct 1	*8.1*	13.25	*11.8*
Chemring ....int	10.9	July 31	9.9	-	29.65
Craig & Rose ....fin	12.5	July 17	13	14.5	15
Crean (James)♣ .....fin	10.4765	July 31	10.4765	18.3415	18.3415
Dundee & Ldn Inv ....int	3.8	July 24		3.8	12
Gestetner ....int	*1.8*	*Aug 28*	*1.8*	-	*8.2*
Mountview Ests ....fin	10	Aug 17	9	18	15
NFC ....int	1.4‡	Oct 5	1.3	-	6.25
Oceans Consld ....fin	1	Aug 14	0.75	1	0.75
Office & Elect ....fin	nil	-	nil	0.1	0.1
River Plate ....int	3	July 31	3	-	8.9
Waddington (J) ....fin	4.3	Aug 1	4.3	7.9	7.9

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Makes 2.7p (2.5p) to date. ♣Irish currency.

End seen to Riva/Hugin dispute

By Alan Cane

THE LONG-RUNNING saga of the £10m "black hole" in the accounts of Hugin Sweda, the Anglo-Swedish retailing systems manufacturer acquired by Riva Group in 1989, may be close to a conclusion.

It is believed that Riva is now anxious to agree £1m in settlement of its dispute with both the former executive *directors of Hugin Sweda* and with its own former advisers, Peat Marwick McLintock, the *accountants*.

Peat Marwick said yesterday that negotiations were still continuing and refused to comment on the size of any possible settlement.

News of a possible settlement may bring some comfort to Riva's shareholders, who have otherwise little to cheer about.

The story has involved three years of sabre rattling but little action. At one stage Riva issued a writ claiming £15m damages against the Hugin Sweda directors and was planning to sue Peat Marwick, which resigned as Riva's auditors last year, for a similar sum.

The dispute began when Riva, a *Bolton-based manufac*turer of electronic point-of-sale equipment, discovered unexpected liabilities of between £10m and £12m in the accounts of Hugin Sweda, which it had bought hoping to benefit from its European distribution network.

It is thought that Riva is keen to *settle* now rather than continue with expensive and time-consuming litigation which might bring no substan*tial increase in the amount* awarded.

Riva yesterday reported a pre-tax loss of £3.2m in the year to end-December 1991 compared to a profit of £778,000 last time. Operational losses were comparatively low at £105,000, blamed on difficult trading conditions together with low levels of demand.

The net cost of borrowings, however, totalled £1.95m and there was an exceptional charge of £1.15m made up of £365,000 costs associated with refinancing arrangements approved last month and restructuring costs of £789,000.

Turnover fell 13 per cent to £57.3m (£65.9m), partly as a consequence of strategic with*drawal from unprofitable* market segments. Losses per share amounted to 12.3p (2.4p earnings). There is no dividend.

The directors said the resumption of dividend payments could only be envisaged once the group returned to profitability and reduced bank *borrowings significantly*.

COMPANY NEWS: UK

A new look that sees beyond ships

Andrew Bolger on the refocused Powell Duffyn which is searching for capital growth

POWELL Duffryn's recent decision to get out of ship-owning is the latest stage in the group's continuing evolution away from its 19th century origins in the coal fields of South Wales.

Cash from the £19m sale of Stephenson Clarke, one of the most famous names in British shipping, will be invested in the engineering, fuel and bulk liquid storage businesses which Powell Duffryn has concentrated on since the post-war nationalisation of the mines removed its founding product.

Fuel distribution has never been a glamorous business, but it proved sufficiently cash generative for Powell Duffryn to escape a £170m hostile bid from Lord Hanson in 1985 – a trick which has proved beyond many more dynamic companies.

The group maintained its independence by promising to continue paying high dividends – a pledge which has been kept, even though the share price has underperformed the FT-Allshare over the last six years.

Mr David Hubbard, who stepped up from finance director to become chairman of Powell Duffryn after Hanson was seen off, said the takeover was not a wholly negative experience: "Any activity like that is a catalyst for change – as ICI has discovered."

He and Mr Bill Andrews, the new chief executive, set about reducing the group's exposure to the construction industry.

The £20m proceeds from the sale of the group's timber business in 1986 helped fund five acquisitions made the following year in engineering, the sector chosen as having most growth potential.

That focus seemed to be paying off by 1990, when engineering contributed 48 per cent of the group's trading profits. The impact of recession reduced that contribution to 36 per cent last year, but the group is still determined to concentrate more on engineering.

Mr Andrews said the group had selected three areas where it has built at least a European position and potentially could become a world player – combustion technology, railway bogies and marine products such as pumps and compressors.

The group's Hamworthy businesses install and manage burner installations in many of the world's biggest power stations.

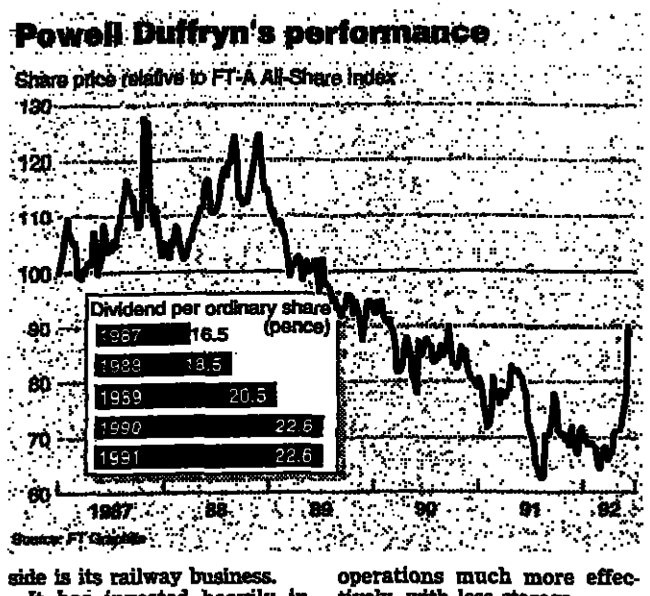
Mr Andrews said: "A large part of pollution is coming from combustion, and there is a very positive opportunity to improve that with high-technology combustion management systems. If you look at the East European opportunity, it is almost horrifying, and yet it has all got be dealt with."

He added: "We intend to grow that business, and acknowledge that it will not be grown sitting on our backsides in the UK – the next target market has got to be the Pacific Rim."

Hamworthy is also a leading supplier of marine equipment such as pumps and compressors. "We have a worldwide distribution network, with heavy demand for spares, said Mr Andrews.

"The world's shipping fleet is nearly 15 years old, and quite clearly the rate of replacement of that fleet over the next decade is bound to rise."

Powell Duffryn's biggest opportunity – and current problem – on the engineering side is its railway business.



It has invested heavily in building a freight wagon base - known as a bogie - for use on both sides of the Channel.

Mr Andrews said: "We have the right product, but the potential customers currently don't have the capital capacity to place the orders."

Mr Hubbard said: "This business is losing money for us at the moment, and there must be a question of a time limit on how long we are to go on doing that."

Powell Duffryn's fuel distribution business is now wholly in the UK. The group's biggest offshore investment is in its bulk liquid storage business, which is spread across five continents.

The bulk liquids business has changed radically since the last oil price crisis, with increased computerisation allowing oil and chemical companies to manage their operations much more effectively, with less storage.

Powell Duffryn has responded by specialising in the storage of more difficult products and by providing more services – in the US it packages 16m gallons of anti-freeze for the retail market.

Mr Hubbard said: "All of the time we are looking for higher value-added services in this sector, because that is where the future is going to lie."

The group has invested heavily to keep its storage terminals up with increasingly stringent environmental regulations, confident that such expenditure will be justified by enhanced profit margins when there is economic recovery.

However, this demand for investment came at a time when Stephenson Clarke had not replaced any vessels for five years and was facing the need to buy new ships over the next four to five years.

Mr Andrews said: "You cannot sustain two businesses with that sort of appetite for capital within our particular group. I'm not saying they are mutually exclusive – they just were for us."

Despite its exit from ship-owning, the group remains interested in shipping-related businesses. It recently invested £13.7m in the consortium Powell Duffryn leads, which in December successfully bid £180m for control of the Tees and Hartlepool Port Authority, the first major trust port to be privatised.

The group's reshaping continues, with the sale already this year of its remaining foundry interests and further shrinkage likely on the construction materials side.

One thing that had not changed – at least until this month's better-than-expected annual results – was the perception of Powell Duffryn as a rather boring yield stock.

Mr Hubbard said: "I believe that over five years, as we develop the group, we will be appreciated as more of a capital growth potential stock, and therefore less as an income stock.

"It's no use my going out to shareholders and saying forget about income, because they would ditch us tomorrow. The share price has kept the yield up by performing disappointingly. As the share price increases, the yield comes back into the 7 to 8 per cent range. That's still a jolly good yield for a stock with a bit of capital potential."

Just how much potential the new-look Powell Duffryn has for capital growth will depend on the pace of economic recovery and the performance of the engineering businesses in which the group has invested.

Gestetner suffers further decline to £8.2m midway

By Angus Foster

GESTETNER, the office and photographic equipment distributor, yesterday reported a further sharp fall in profits at the interim stage after a decline to £22.5m in 1990-91.

The six months to April 30 achieved pre-tax profits of £8.2m, down by almost two thirds from £21.7m in the comparable period.

Mr Basil Sellers, chairman, said the office systems division suffered reduced margins due to changing product mixes and recession. Photographic equipment saw no recovery in sales.

But the figures included £3m of redundancy and other costs as 300 more jobs went, following last year's cuts of 1,000. "We've got the costs down and will now just have to wait for the improvement to come," Mr Sellers said.

Group turnover fell to £440.1m (£451.1m). The UK contribution fell from £27.4m to £19.9m due to recession, while continental sales fell 9 per cent to £206.9m (£228.4m). Gestetner Canada is being restructured after suffering a £3m loss.

Interest charges fell to £5.4m (£7.9m) as net debt fell to £96.4m, including £37.9m of convertible unsecured loan stock. This compares to net debt of £193m a year ago, and follows the conversion of £78m of loan stock last September. As a result, the debt to equity ratio fell to 40 per cent (114 per cent).

Earnings fell to 6.2p (16.7p) or 3.8p (10.4p) fully diluted. The dividend payments of 1.8p per ordinary share and 0.075p per ordinary capital share are unchanged on last time.

The shares fell 6p to 183p.

● COMMENT

These figures were as expected, but Gestetner could have done without the Canadian losses. Costs are now under control, although cost savings are being cancelled out by inflation. Revenues from service contracts have provided some protection from the recession, the company is more reliant on the upturn and resumed buying of new office equipment. However, that looks unlikely to happen in this financial year and full-year forecasts of £19m-£20m put the shares on a slightly optimistic 15 times. While the range and quality of the company's products, and its large sales force, augur well for the longer term, the shares may not go much higher yet.

Booker changes reporting periods

By Maggie Urry

BOOKER, the food distribution, agribusiness and prepared foods group, is changing the reporting periods for its results.

Starting in the current financial year, the group will base its figures on 13 four-weekly periods rather than 12 calendar months.

Booker said the change would make no difference to its dividend policy, but would make management accounting more efficient and help the group's treasury department. Booker shares rose 1p to 482p.

As a result of the accounting period change the current financial year will end on December 26, while the next year will end on January 1 1994.

When interim profits are announced in September they will cover 24 weeks to June 13, rather than six months to June 30.

However, an indicative pre-tax profit figure on the old basis will also be given.

Booker yesterday published the 1991 interim results on the new basis. These figures will provide the comparison for the current year's interim results.

In the first 24 weeks of 1991 turnover was £1.44bn, pre-interest profits were £44.3m, and pre-tax profits were £32.9m.

Earnings per share were 11.56p.

Mr Jonathan Taylor, chief executive, said that the change would cause some distortion as the summer period was a peak trading time for the food distribution activities.

In the last two weeks of June 1991 Booker had made pre-tax profits of £4.9m on sales of £125.9m.

The group also announced it was buying a fish processing complex in Grimsby from Findus, part of Nestlé.

Findus said it would sell the site nearly a year ago. The purchase price is not disclosed, though analysts reckoned it would be be only a few million pounds.

Booker is also getting a "substantial" grant from the Department of Trade and Industry.

Acquisitions help boost Chemring to £2.65m

By Peter Pearse

BOTH ORGANIC growth and "the successful integration of the acquisitions made in 1991" helped Chemring Group lift pre-tax profits almost 10 per cent from £2.41m to £2.65m in the half-year to March 27.

Mr Philip Billington, who became chairman on January 1, said he was aiming to increase Chemring's non-defence side to 60 per cent, though he stressed that the defence side made "defensive, rather than offensive products", such as radar counter-measures and flares.

Group turnover rose almost 20 per cent to £18.5m (£15.4m), with acquisitions accounting for £2m of the rise.

In May 1991 the company bought Octavius Hunt – which makes smoke pesticides, sparklers and specialist matches – for £1.54m in cash, shares and loan notes. In July it paid FFr6.5m for 49 per cent of Traco, the French electrical transformer manufacturer, to combine with Sécurélec of which it also owns 49 per cent. In August it added Horace Sleep to its Vacuum Reflex specialist clothing company and in September the marine division of Kilgore was absorbed into the pyrotechnic operations of Pains-Wessex.

The group has 70 per cent of the global market for marine pyrotechnics.

Chemring would go to the market for larger acquisitions, said Mr Billington, but had £3.1m cash at the period-end for smaller buys.

He was looking for companies "with markets and manufacturing processes we understand".

Earnings emerged at 35.54p (31.39p) and the interim dividend is lifted 10.9p (9.9p).

Wace shares fall on disappointing trading

By Andrew Bolger

Shares in Wace Group fell 23p to 120p yesterday after the printing services company said trading in April and May had been disappointing.

Mr Frans ten Bos, Wace's chairman, told shareholders at the annual meeting: "In my statement with the results for year ended December 31, 1991, I said that the first three months had given us a sound start to the year. However, trading for the following two months, particularly in May, has been disappointing.

"In the UK both our printing and pre-press operations are finding times particularly difficult. We have seen no signs of an upturn in activity and the market place is as tough as it has ever been. Pressure on margins continues to be acute."

Mercury Comms rings up 34% rise to £155m

By Roland Rudd

A STRONG performance from Mercury Communications boosted the year-end results of Cable and Wireless.

The subsidiary increased trading profit by 34 per cent to £155m (£116m) in the 12 months to March 31, on increased sales of £915m (£702m). Group pre-tax profit rose to £644m (£609m).

Lord Young, chairman, said Oftel, the telecommunications regulator, had done a "smashing job" in proposing that BT cut the average level of its prices by 7.5 percentage points below the rate of inflation, against 6.25 points at present.

"This is as good as we could have hoped for," he said. "It will prevent BT from putting up their domestic prices where they have no real competition."

Mercury is committed to increasing the number of residential customers from 200,000 to 2m by the year 2000. In total it has 781,000 lines.

It is also restructuring its sales and network management to work closely with cable TV operators.

Margins in 1991 rose in spite of a 10 per cent cut in international prices. The company's share of the UK international market increased from 14 to 18 per cent. Mercury has now captured 31 per cent of international calls to Japan and 32 per cent to Switzerland.

From next January a BT-style pricing regime will affect group operations in Hong Kong.

Its 58.4 per cent-owned HongKong Telecom has agreed to a one-off 8 per cent reduction in international charges in the first year, followed by a 2 per cent cut in each of the next two years.

The rules allow the subsidiary to increase domestic charges by inflation minus 4 per cent. With inflation running at 10 per cent prices are likely to continue to rise.

Lord Young dismissed the threat of competition – due in the 2006. Its local services are free and the group charges residential customers monthly rental of just £5.

HongKong Telecom increased trading profit by 28 per cent to £475m (£370m) on sales of £1.37bn (£1.1bn).

Its international traffic rose by 15 per cent, while traffic between Hong Kong and South China increased by 35 per cent.

Group trading profit increased by 27 per cent to £727m (£572m). Lord Young said growth in the current half would prove even better.

Trevor Humphries

James Ross (left) chief executive, and Lord Young, chairman, welcomed a "smashing job by Oftel"

Legal row threatens Cabra's Fulham deal

By Angus Foster

A LEGAL row has broken out between Fulham Football Club and Cabra Estates, the heavily-indebted property company which owns Craven Cottage, Fulham's ground.

The argument could scupper a January 1990 agreement between the two sides for Fulham to be paid to leave its ground early so Cabra could re-develop the site as residential housing.

In turn, a separate agreement under which Cabra was to sell another west London football ground, Stamford Bridge, to its incumbent, Chelsea Football Club, is also at risk.

Fulham had planned to ground-share with Chelsea, while Chelsea would have used the money raised to help meet the £22.85m price tag for Stamford Bridge.

Successful completion of the two deals is seen as central to Cabra's plans to reduce its net debt, which stood at £52m at the end of March.

Fulham and several of its directors, including Mr Jimmy Hill, the TV presenter, went to the High Court yesterday to seek a declaration that they are no longer bound by a clause in the 1990 agreement.

Under the agreement, the directors said they would not provide any evidence which could help Hammersmith and Fulham council. In a separate action the council has blocked Cabra's re-development plans.

Fulham alleged that only one of the agreed payments from Cabra has been made; security for other payments has not been provided; and Cabra's financial position has deteriorated.

The directors therefore claimed it is now in the best interests of Fulham for "relevant evidence" to be given to a public inquiry, now underway, which is hearing Cabra's appeal against Hammersmith and Fulham's rejection.

The inquiry, which is due to end shortly, has heard from Savills, Cabra's property agent, that the redevelopment project would lose money, even if house prices rose substantially.

Fulham Supporters Club, which gave evidence on Tuesday, claimed that Cabra's failure to secure financial guarantees to cover two future payments due to Fulham have incurred penalties which are mounting at £10,000 a day. Cabra's accrued penalties owing to Fulham now exceed £5m, a spokesman for the Supporters' Club claimed.

The high court hearing and the inquiry continue.

Acquisition and rights planned to transform Finlan

By Peter Pearse

FINLAN GROUP, the property and building materials company where the 10p and 1p shares were suspended at 2¾p and 3p respectively in May, yesterday announced the acquisition of a private company, a rights issue, a reorganisation of its capital structure and a change of name.

It has conditionally agreed to acquire and assume the name of Birkby, the Huddersfield-based rental group, for £4.05m, to be raised via the issue of 4.05m new ordinary 5p shares.

Mr Kim Taylor-Smith, finance director of the old Finlan and the new Birkby, said the name change was appropriate because the reorganisation of Finlan – begun last November and in which the banks gained half the equity – had disposed of its debts and virtually all of its property interests, leaving the company almost a shell.

Birkby provides managed workspace, especially in the M62 corridor, commercial vehicle hire and instalment credit. It is forecast to make pre-tax profits of at least £600,000 in the year to July 31 and has "good quality earnings", Mr Taylor-Smith said.

Finlan is to raise about £6m net of expenses in the rights issue of up to 6.73m new ordinary 5p shares. Mr Taylor-Smith said the proceeds would be used to reduce borrowings, including the repayment of £425,000 to Fenno-Scandia Bank, and provide working capital. At 100p each seven new shares will be offered for every three held and one for every £3.43 nominal of loan stock, following the capital reorganisation.

Finlan is to create a new class of 5p shares to replace the 1p ordinary, the 10p ordinary and the preference shares. It will cancel the nominal value of the deferred shares – about £14m – and release about £14.6m standing to the credit of the share premium account.

This £28.6m will go to a new and separate reserve, against which Finlan will write off the accumulated deficit of about £26m on the profit and loss account.

NEWS DIGEST

Saatchi to reduce debt via US sale

SAATCHI & Saatchi has sold its wholly-owned subsidiary, Yankelovich Skelly White/Clancy Shulman of the US, to an investor group led by Wand Partners. Proceeds will be used to reduce group debt.

Consideration consists of an immediate cash payment of \$4.6m (£2.52m) and a \$4.5m interest-bearing note repayable in tranches up to the end of 1997. Saatchi will also receive non-compete payments totalling \$1.5m.

Yankelovich is a public opinion and market research company. In 1991 it made pre-tax profits of \$988,000 on revenues of \$11.1m.

Craig & Rose falls £20,000 into loss

Craig & Rose, the paints, household goods and hardware group, fell £20,000 into the red in the year to December 31. For 1990 there were pre-tax profits of £126,000.

Losses per share worked through at 5p (earnings 21.75p) but the directors are recommending a final dividend of 12.5p (13p) for a total of 14.5p against 15p.

Turnover was static at £5.62m (£5.59m).

River Plate net asset value declines

River Plate & General Investment Trust had a net asset value per share of 108.1p at April 30, compared with 151.1p a year earlier. At the October 31 year end the value was 130.3p.

Total revenue for the six months amounted to £3.32m (£3.14m) and net revenue rose from £2.1m to £2.23m for earnings of 4.14p (3.9p). The interim dividend is held at 3p.

Booth Industries slips to £677,281

Pre-tax profits of Booth Industries, the structural steelwork and engineering group, declined by some £306,000 to £677,281 in the year to end-March. Turnover fell from £32.5m to £30.8m.

Mr James Booth, chairman, said demand for structural steelwork continued at a much-reduced level, affecting both margins and volume. However, offshore investment had continued at a satisfactory level with prospects of a number of sizeable projects proceeding.

Earnings per share fell to 10.58p (15.99p) but an unchanged final dividend of 2.5p is recommended maintaining the total at 3.2p.

AF Bulgin reduces loss to £107,000

AF Bulgin reported reduced pre-tax losses of £107,401 for the year to January 31. For the previous 12 months the loss was £505,225.

Sales in the period under review declined to £12.2m (£14.1m). Exceptional costs of £70,933 (£562,567) represented the reorganisation of overseas subsidiaries and redundancies.

The extraordinary charge of £60,914 (£202) reflected termination costs of an overseas subsidiary and provisions against group investment.

The electrical and electronic components company is paying an unchanged single final dividend of 0.1p. Losses per share fell to 0.4p (1.21p).

The directors said the first quarter of the current year had shown an improvement, but the second half must be regarded with caution.

Mountview raises dividend by 20%

Mountview Estates, owner and dealer in real estate, is raising its dividend by 20 per cent for the year to March 31, despite a 17.5 per cent drop in earnings.

Turnover slipped to £13.7m (£14.1m), while the pre-tax profit declined from £8.07m to £6.56m after reduced interest charges of £862,000 (£913,000).

The final dividend is 10p for a total of 18p (15p). Earnings came out at 95.8p (116.1p).

Asset value surges at Capital Gearing

Net asset value at Capital Gearing Trust surged in the second half to finish at 343.3p at the year end April 5 1992.

At the halfway mark it stood at 302.3p, against 290.8p on April 5 1991.

In 1991-92 dividends and interest totalled £148,000 (£108,000) and earnings per share came to 1.33p (0.14p).

The dividend is raised to 0.4p (0.35p) and there is also a special payment of 0.8p.

Stockbroking side boosts Oceana

A strong contribution from the stockbroking side enabled Oceana Consolidated Company to return a pre-tax profit of £72,000 for the year ended March 31 1992.

That compared with a loss of £1.29m previously, after exceptional charges of £1.63m relating to an insurance claim and the writing down of the value of an unquoted investment.

Turnover of this financial services group increased by £1m to £9m. Earnings per share were 2.31p against losses of 16.74p and the dividend is raised to 1p (0.75p).

Asset growth for Finsbury Trust

Net asset value per share of Finsbury Trust hardly moved over the 12 months ended March 31 1992, but has since risen by 14.6 per cent.

At March 31 it stood at 111.1p, compared with 110.8p a year earlier after expanding to 119p at September 30 1991. By May 29 1992, however, it moved up to 127.3p.

The trust produced earnings per share of 3.2p for the year ended March 31, compared with 2.9p, and is raising the dividend to 3p (2.85p) through a final of 1.8p (1.65p).

Total income was £1.5m (£1.57m) and pre-tax revenue £1.01m (£1.07m).

Foreign & Colonial Smaller Cos higher

Foreign & Colonial Smaller Companies reported net asset value of 107.3p at April 30 compared with 104.3p a year earlier. However it was lower than the 109p at October 31.

Net revenue increased slightly to £1.78m (£1.77m) for earnings per share of 1.97p (1.96p).

An increased final dividend of 1.1p is recommended making a total of 1.75p (1.65p).

OEM tumbles £57,000 into the red

With the announcement of a £57,000 pre-tax loss for 1991, Office & Electronic Machines has set out its plans for the future.

Activities now comprise a small office furniture and office stationery business in Burgess Hill, Sussex, but this is too small to be viable.

The directors feel the company needs to be much larger and expect that over the next few years it will evolve with a number of stakes in a wide variety of businesses, some listed, some not, in a number of industries.

In the short term they believe that considerable opportunity exists for a well-financed investment in the property market. In the last few weeks they have entered into a joint venture to develop, on a forward funded basis, a series of industrial warehousing complexes.

The company's 1991 loss compared with a pre-tax profit of £68,000 and was struck on total turnover of £2.07m (£12.6m).

In continuing activities there was a deficit of £233,000, after an operating loss of £668,000 on turnover of £1.48m.

Losses per share were 3.1p (earnings 6.3p). Again there is no final dividend, which makes the total for the year an unchanged 0.1p.

Chillington

Chillington Corporation recorded a 1991 pre-tax profit of £646,000 and not a pre-tax loss as reported in yesterday's editions.

Bibby in talks about raising Spanish bid price

By Peter Bruce and Peggy Hollinger

AN ANNOUNCEMENT was expected this morning regarding the hostile bid by J Bibby & Sons, the UK industrial and agricultural conglomerate owned by Barlow Rand of South Africa, for the monopoly Spanish Caterpiller distributor, Finanzauto.

Bibby and Finanzauto executives were meeting in Madrid late yesterday, negotiating a possible increase in the bid price.

They were not available for comment.

The Spanish stock market commission said Bibby would be able to modify the Pta 1,300 a share offer if it got approval from its shareholders.

The bid, worth some \$130m (£71.4m), is the first hostile takeover attempt by a foreign company in Spain.

Martin Currie offer for Pacific Horizon lapses

By John Authers

Martin Currie Pacific investment trust yesterday announced that it had allowed its offer for Pacific Horizon investment trust to lapse.

It did so although the offer had been unanimously recommended by Pacific Horizon's board, and had been accepted by 74.51 per cent of shareholders and 54.42 per cent of warrant holders.

This suggested that Jupiter Tyndall Merlin, the fund management company which manages Pacific Horizon, had succeeded in its attempt to block the takeover.

Jupiter Tyndall had amassed a 25.1 per cent stake in the company's warrants, and used this to block an earlier offer. Martin Currie Pacific's directors said in a statement yesterday that Jupiter Tyndall "placed an interpretation on the rights of the warrants which conflicted with that of the board of Martin Currie Pacific and its legal advisers".

The statement went on to say that if the offers had been made unconditional, the board believed Jupiter Tyndall would then have issued legal proceedings. This situation would not have been in the interests of its shareholders, according to Martin Currie.

However, Martin Currie made it clear that it was reserving its position and waiting to see the new proposals which Jupiter Tyndall has promised in the near future.

Dundee & London assets decline

Net asset value at Dundee and London Investment Trust declined to 262p at April 30 1992. That compared with 277p six months' earlier and with 282p at April 30 1991.

For the half year ended April 30 1992 pre-tax revenue came to £1.06m (£1.3m). The interim dividend is again 3.8p.

PUBLIC WORKS LOAN BOARD RATES

Effective June 17

Quota loans*

Years	EIP†	A††	At maturity§
1			10
Over 1 up to 2	$9\frac{7}{8}$	$9\frac{7}{8}$	10
Over 2 up to 3	$9\frac{7}{8}$	$9\frac{7}{8}$	$9\frac{7}{8}$
Over 3 up to 4	$9\frac{7}{8}$	$9\frac{7}{8}$	$9\frac{3}{4}$
Over 4 up to 5	$9\frac{3}{4}$	$9\frac{3}{4}$	$9\frac{7}{8}$
Over 5 up to 6	$9\frac{3}{4}$	$9\frac{3}{4}$	$9\frac{3}{4}$
Over 6 up to 7	$9\frac{3}{4}$	$9\frac{3}{4}$	$9\frac{7}{8}$
Over 7 up to 8	$9\frac{3}{4}$	$9\frac{3}{4}$	10
Over 8 up to 9	$9\frac{3}{4}$	$9\frac{3}{4}$	10
Over 9 up to 10	$9\frac{3}{4}$	$9\frac{3}{4}$	$10\frac{1}{8}$
Over 10 up to 15	10	$10\frac{1}{8}$	$10\frac{1}{4}$
Over 15 up to 25	$10\frac{1}{4}$	$10\frac{1}{4}$	$10\frac{1}{4}$
Over 25	$10\frac{1}{4}$	$10\frac{1}{8}$	$10\frac{1}{8}$

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

FINANCIAL TIMES SURVEY

EUROPEAN BUILDING & CONSTRUCTION

Thursday June 18 1992

In most European countries activity is declining as the recession bites. The outlook is likely to remain depressed, with little improvement next year. But one glimmer of light is that infrastructure spending is holding up, says **Andrew Taylor**

Construction companies are now looking to work from former communist countries in eastern Europe. The picture shows housing in Thüringen, eastern Germany

IN THIS SURVEY

Quietly flows the workload

THE GOOD times have ended for European construction. The heavy earth movers, tower cranes and mobile generators, which in the late 1980s gave some of Europe's biggest cities the appearance of one vast building site, are being switched off or dismantled.

Construction output is flagging in many countries as economic recession and high interest rates have taken their toll on private investment in new offices, shops and industrial plant.

Earnings of contractors and building material companies, as a result, are under pressure as order books and profit margins have declined and competition for a diminishing workload has increased.

Nowhere is this more apparent than in Britain where a steady flow of developers, contractors and building material suppliers, including several publicly quoted companies, have been forced into the hands of receivers.

Other companies which had embarked on speculative development have had to make large provisions as the value of residential and commercial property has fallen sharply. British construction groups may have come off worse in the recession, but other markets are also suffering.

French contractors and building material companies which had expanded aggressively into other European countries, making expensive cross-border acquisitions, have been hit as these markets have gone into recession leaving the former predators themselves weak and vulnerable to take-over.

The struggling Société Auxiliare d'Entreprises was snapped up earlier this year by rival French construction group Fougerolle in a deal worth FFr4.6bn (£468m). Italcementi, Italy's largest cement company, recently bought control of Ciments Français, France's second biggest cement for FFr6bn (£611m).

Ciments Français, in particular, had been very active in making cross-border acquisitions, leaving its balance sheet badly stretched as building output across Europe, including France, moved into reverse. French cement sales are forecast to fall by 5 per cent this year with domestic construction activity, particularly in the private sector, expected to stagnate after rising sharply in 1989 and 1990.

Construction output in most northern European markets is likely to stand still or decline this year. Growth in Spain – until recently Europe's fastest rising construction market – is expected to slow markedly as a result of economic pressures and as big building programmes for the Barcelona Olympics and the World Trade Fair at Seville come to an end.

Delegates attending today's conference in Helsinki held by Euro Construct, which represents European construction research agencies and economic forecasting bodies, will be told that the outlook for most European contractors and building material companies is likely to remain depressed with most countries expecting only a slight improvement in 1993.

Even Germany, Europe's strongest construction market, expects growth to slow this year. The cost of integrating the former east German republic is placing an increasing burden on the domestic economy. As a result, building investment opportunities are being restricted in other parts of the country.

In some European cities, over-development of offices has left too many empty buildings chasing too few tenants as companies have been shedding labour and closing unwanted premises. Financial services, which had expanded rapidly during the 1980s, has been particularly hit by the recession which has curtailed the activity of industrial and commercial clients.

This is most apparent in London, one of Europe's biggest commercial property markets which, at its height in the late 1980s, attracted developers from all over the world, notably from Japan, Sweden and north America. Many of these companies are now regretting their enthusiasm for the British market as the value of their investments has plummeted.

Olympia & York, the Canadian-based property developers owned by the Reichmann family, has been brought to its knees by the failure of its ill-fated Canary Wharf office development to attract sufficient tenants in London's former Docklands. The decision to place the development into administrative receivership threatens to cause further hardship to already beleaguered sub-contractors which have been working on the development.

According to a report by the British National Economic Development Office (NEDO), about 33m sq ft of office space was either empty or available for occupation in London at the end of last year. This represented 16 per cent of the total office space of the capital and NEDO said it would take six years to occupy at normal letting rates of take-up.

As a result, commercial construction in the UK is expected to fall by about a fifth this year and total construction by about 5 per cent.

Forecasts to be published at the Euro Construct conference are expected to show falls in output, mostly of around 3 per cent, in the Netherlands, Sweden and Switzerland. Output in France, Italy and Belgium is likely to show little or no growth. In Germany and Spain growth rates are expected to dip sharply.

There are some glimmers of light. Spending on infrastructure, particularly on transport, is holding up much better than private investment in residential and commercial property. The need for central and local government to make economies has curtailed some of the more ambitious proposals. Nonetheless, infrastructure spending is still rising in some countries although at a slower rate than previously.

In the advanced economies of northern Europe there are plans to upgrade many motorways and to reduce congestion and speed the flow of goods and services by constructing high-speed rail links between main cities. If these plans go ahead, the Channel Tunnel between Britain and France will be a crucial link in a revitalised European rail network.

In southern Europe the demand is for new construction to provide the roads and services which will allow rising economies to flourish. European construction companies and building material companies seeking to take advantage of new opportunities for work have been busy making acquisitions, taking stakes and forging strategic alliances with local companies mostly in Spain, but also in Greece and Portugal.

The decision to remove barriers to free trade between European Community countries at the end of this year has also prompted a spate of cross-border mergers and stakes between between European contractors. French and German companies have been among the biggest spenders among contractors while British building material companies have built up commanding positions in the European roof tile, plasterboard, ready-mix concrete and glass industries.

But not every acquisition has been a success. Some German and French companies have had a lean time of it since they bought into British groups at the height of the UK construction market in the late 1980s as the value of their investments has fallen sharply.

Hochtief, the West German contractor, acquired a 25 per cent stake in Rush & Tompkins only to see the British construction and property company go into receivership in 1990.

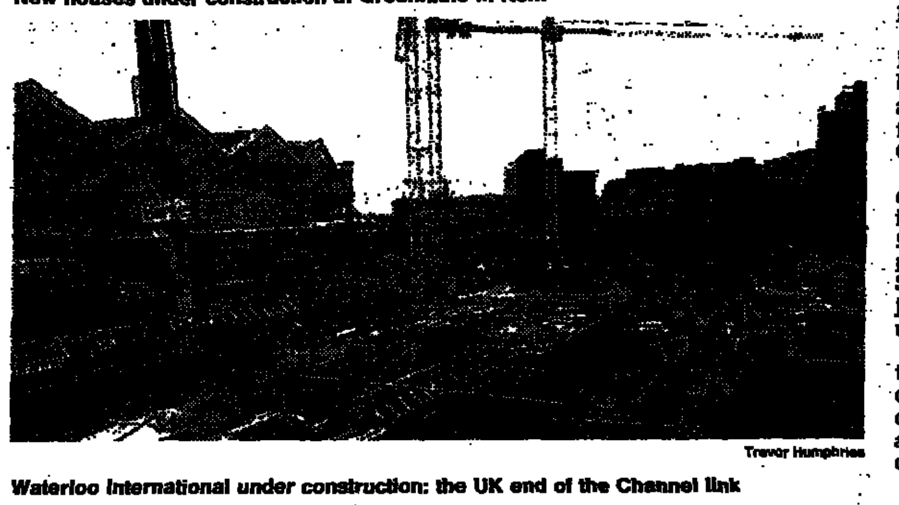
Companies such as Ciments Français in France and Steetley, the British building materials group which made expensive cross-border acquisitions in the 1980s, have themselves been taken over. Steetley, which had become France's biggest aggregates producer earlier this year, fell prey to Redland, a rival British materials group and Europe's biggest roof tile manufacturer, after a bitterly contested fight.

Latterly, European contractors and building materials companies have focused on making acquisitions and stake building in the former communist countries of eastern and central Europe. These have a big need for new construction if their fledgling market-driven economies are to thrive.

The problem is not in identifying a need for new construction but in finding the money to pay for it.

Terry Kirk

New houses under construction at Greenhithe in Kent



Trevor Humphries

Waterloo International under construction: the UK end of the Channel link

Andrew Taylor on cross-border links

Shift to the east

THE DECISION to remove barriers to free trade between European Community countries at the end of this year has prompted a spate of cross-border mergers and stakes among European contractors.

French and German companies have been some of the biggest spenders. But recently, German and French sights have been more focused on making acquisitions and stake-building in former communist countries of eastern and central Europe.

British contractors, faced with a big upsurge in work in the UK in the 1980s, were slow off the mark to make cross-border purchases. They also faced difficulties in finding opportunities in the more closed German and French markets. But latterly, British construction companies have stepped up their attempts to gain a foothold in continental European markets.

Spanish companies have also been making cross-border purchases. Two of Spain's biggest civil engineering groups, Cubiertas and Entrecanales, last summer paid £24m for a 21.5 per cent stake in Lilley, the Glasgow-based construction group.

The stake was acquired by Tibest Tres, a company jointly owned by the two Spanish contractors. Lilley, in return, paid £8.35m to acquire 2 per cent of Cubiertas, a public works specialist. Lilley and its Spanish partners are currently bidding jointly to build part of the £1.7bn Jubilee underground line extension in London.

The desire to make cross-border acquisitions has been driven as much the advent of the EC single market as by the need for contractors to find new work opportunities and to protect themselves from cyclical downturns in domestic markets.

In the latest recession construction markets in continental Europe held up for longer and much better than in the UK and US where output has fallen steeply since the late 1980s.

But not every acquisition has been a success. Some German and French companies have had a lean time of it since buying into British groups. Their investments have fallen sharply in value while there is little evidence that these strategic alliances have led to contract opportunities.

Thus Hochtief, the west German contractor, acquired a 25 per cent stake in Rush & Tompkins only to see the British construction and property company go into receivership. Parts of its contracting business were then acquired by Hochtief and Ballast Needham, a Dutch contractor bought by British Aerospace in 1987.

Philipp Holzmann, of Germany, is typical of European contractors which have acquired stakes in other EC companies in the hope that this would open the door for more work. It owns outright or holds strategic stakes in Austrian, British, Dutch, French and Spanish companies, including a 20 per cent stake in Tilbury Douglas, the UK contractor and developer, which owns the former Chrysler car factory at Linwood in Scotland.

Tilbury, Holzmann and Girozentrale, an Austrian bank, have formed a joint venture to redevelop the Chrysler site. Tilbury separately has formed a joint venture with Holzmann and Jotsa, a Spanish contractor of which Holzmann owns 50 per cent to build a 370,000 sq ft industrial and office development south of Madrid.

Mr Alan Cockshaw, chairman of Amec, the British construction and engineering group, says companies which want to work in overseas markets need to have a strong local base to stand any chance of winning profitable contracts. Companies operating in overseas markets without local knowledge and experience run the risk of being "ripped off", he says.

Amec recently bought a 50 per cent stake in Kittelberger, a German building and civil engineering group. It also holds a 20 per cent stake in Serete, France's leading independent design engineering and construction management group.

Companies wishing to gain a local presence in European markets have three routes to choose from:

- Forming individual joint ventures with local companies on a project-by-project basis. This involves no long-term financial commitment but does not generate any extra business other than the job in hand.
- Acquiring an existing business outright. This can be costly and difficult. Contractors rely on the local knowledge and skills of their staff. These may leave if their company is subject to a contested bid from a foreign predator.
- Acquiring strategic stakes. This has been the favoured route of German and French companies, with cross-holdings in each other to cement trading relationships and as a defence against takeover bids.

British and Italian companies which dislike minority investments in companies where they have no control have been mistrustful of this route. And the complex share structures of German and French contractors have made it hard for foreign companies to buy into these markets.

Shares of the big five German contractors – Holzmann, Hochtief, Bilfinger, Strabag and Dywidag – are tightly held by each other or by banks. There are large crossholdings among French contractors.

The British market, by comparison, is much more open. There are many medium-sized contractors whose shares can be bought readily on the stock market.

British companies, because of their vulnerability to takeover moves, have to consider the impact on their share price of any acquisition which could dilute profits in the short term. This makes it difficult for them to justify overseas purchases where these appear to dilute rather than enhance earnings. Continental companies, because of their ownership structure, can take a longer-term view of acquisitions.

Attitudes, however, are changing. British contractors such as Amec and John Brown, part of Trafalgar House, the construction, property and shipping group, have bought stakes in continental European companies. Attention is shifting eastwards as companies try to break into the construction-hungry markets of Czechoslovakia and Hungary. Watch this space.

BUILDING MATERIALS

Solid but inevitable moves

CONSOLIDATION of Europe's building materials market is far more advanced than in the contracting sector.

The incidence of cross-border acquisitions, joint ventures and strategic alliances is far greater among cement, glass, plasterboard, concrete and roof tile producers than it is among contractors which operate in much more fragmented domestic markets.

The prime reason for this is that a purchaser of a building materials company is buying tangible assets whereas a contractor with no production facilities is worth only the sum of the abilities of the people it employs. So it is more risky to invest in a contractor whose key personnel can walk away at any time, particularly after a contested bid, than put money into a building materials producer whose key asset is clay or limestone reserves that can be measured and valued.

The manufacture of high volume, low value building materials such as bricks, cement and concrete tends naturally to consolidate among a small number of large suppliers. These are able to make the best of a low margin business by taking advantage of economies of scale.

That is particularly true in Britain where public companies can be bought up through the Stock Exchange, unlike continental Europe where shares are more tightly held and many companies privately owned. As a result, British material companies have been able to build up large domestic positions. Thus, in the cement industry there are only three large domestic suppliers: Blue Circle, Rugby Portland and the Scandinavian-owned Castle Cement.

Until a few years ago, BPB Industries controlled more than 95 per cent of the UK plasterboard market. Only recently has it faced strong competition in its home market from Lafarge-Coppée of France and Knauf of Germany.

The British brick and concrete industries similarly are dominated by a relatively small number of large and medium sized publicly quoted companies. The result has been that British companies have been able to use their stock market strength to build up a substantial asset base. They have then used this as a springboard to carve out positions in the more fragmented continental European markets.

Thus, BPB Industries is Europe's biggest plasterboard manufacturer; Redland is the biggest roof tile producer; Pilkington is the largest glass supplier and RMC the biggest ready-mix concrete producer.

Steetley, the British building materials group which has recently been acquired by Redland after a bitter takeover bid, is the largest aggregates company in France. Blue Circle has become one Europe's biggest manufacturers of domestic heating equipment after the takeover of Compagnie Internationale du Chauffage, a subsidiary of Nord Est of France and of Thermopanel, Sweden's largest radiator producer.

Mr Charles Young, chief executive of Blue Circle's home products division, said the purchases would make the group Europe's second largest supplier of steel panel radiators behind Stelrad, part of MB-Caradon, the British building products and packaging group.

The takeovers are the latest in a series of cross-border mergers involving European heating companies. Last month, Robert Bosch, the German conglomerate, succeeded in gaining control of Worcester Group, the British central heating boiler maker, for which it had bid £71.8m. Earlier this year Wolseley, the Midlands based engineering group, paid FFr931m (£95m) for Brossette, a large French heating and plumbing supplier.

In 1990 Hepworth, the UK building materials and home products group, paid £155m for Saunier Duval, the French boiler manufacturer.

These moves are typical of the consolidation that has been occurring in European building material markets, particularly where products are too bulky to be exported easily and competitive pricing can be vulnerable to transport costs. In such cases, it is important that manufacturing plants should be close to main markets. Companies with international aspirations have little choice but to make acquisitions.

Most of the large European cement manufacturers have subsidiaries in other Community countries. At the end of April, Italcementi, Italy's biggest cement company, paid FFr6bn (£611m) for a controlling interest in Ciments Français, the second largest cement manufacturer in France.

A month earlier Calcestruzzi, the ready-mix concrete producing subsidiary of the Italian Ferruzzi group, in a joint venture with the National Bank of Greece took control of Heracles, one of the top two Greek cement manufacturers.

The deals marked a new development in the battle for market share by European cement manufacturers. Italian companies until now have stood aside from making cross-border acquisitions, preferring to concentrate on developing sales in a domestic market which boasts one of the world's highest per capita consumption of cement. Nobody is quite sure what the entry by Italcementi into the broader European market will herald.

The extent of takeovers and stakebuilding by large manufacturers in the sector might suggest a highly competitive European market in which cement prices might be expected to fall sharply as producers battle for market share during times of recession.

In fact, cement prices in western Europe have proved surprisingly stable by comparison with other basic building materials such as bricks and plasterboard. Prices of plasterboard, for example, have been slashed in Britain, France and Germany years as BPB Industries, Lafarge-Coppée and Knauf have slugged it out in a bitter war for market share.

The absence of similar price-cutting by cement manufacturers and the relatively low level of cement exports between European countries, even where works are situated close to borders, has prompted a European Community investigation into possible market sharing involving 76 companies including Blue Circle of the UK, Holderbank of Switzerland, the world's largest cement manufacturer and Lafarge-Coppée, the world's second largest manufacturer.

Manufacturers say that they have not colluded and that it would be suicidal to indulge in a price war simply to satisfy European commissioners. Nonetheless, companies risk being fined up to 10 per cent of their annual turnover should the Commission prove that relationships between competitors have become too cosy.

Andrew Taylor

Christopher Parkes, in Bonn, says the upswing is set to continue

The Germans are laughing

THE PRESIDENT of the German building industry federation, HDB, tried hard to reflect the mood of gloomy caution prevailing in German business circles, but an uncontrollable smile kept breaking out and spoilt the effect. Mr Hermann Becker and his members have reasons to be cheerful.

Reviewing the industry's prospects for the current year recently, he forecast falling volume sales, and groaned at the impact of government spending cuts, record interest rates, ballooning land prices and over-generous pay settlements. Business in the east was "stuttering", he said.

But on the bottom line, with expected real growth in west German construction this year of up to 3 per cent, and 17 per cent in the east, the sector is outperforming all other industries. And the upswing seems likely to continue.

Overall 1992 economic growth in the west is forecast at just 1 per cent, and around 10 per cent in the east. With all-German investment of DM381bn planned for this year, the country will account for almost 30 per cent of total European Community investment in building.

"The overall weakness in business conditions has slowed the development in construction, but it cannot stop it," Mr Becker said.

The motor in the west is the pent-up and growing demand for housing. Back in 1987 the authorities were shocked to discover that west Germany needed 1m new homes. In 1990, after unification, they found they needed to refurbish or rebuild virtually the entire eastern housing stock. Later they were confronted with floods of ethnic Germans returning "home" from eastern Europe.

Orders for housing in the west alone rose 19 per cent in the first two months of this year. Completions in Bavaria rose almost 16 per cent in the first quarter. Overall, Mr Becker said, the industry would complete 350,000 houses and apartments this year, compared with 314,000 in 1991.

Public sector orders, meanwhile, rose only 0.5 per cent in the first two months, and local authority building plans suggest a 2 per cent overall decline. The government is committed to limiting real public spending growth to 2.5 per cent a year, in effect a cap. But it is also pledged to giving east Germans living standards that are comparable with those in the west as quickly as possible.

In practical terms, this means a crash programme to prevent impatient skilled and educated "Ossi" workers from uprooting themselves, moving west, and wrecking Bonn's efforts to build a balanced, unified economy and society.

Tony Andrews

Construction work in central Frankfurt

In cash terms, according to the respected Ifo research institute in Munich, this means spending DM2,400bn by the year 2005. A study prepared for the HDB suggests 40 per cent of the total will be needed for housing, 22 per cent for the economic infrastructure – items such as energy supply – 15 per cent for road and rail links, and 6 per cent for drains, waterworks and other environmental projects.

> **In practical terms, this means a crash programme to prevent impatient east Germans from uprooting themselves, moving west and wrecking Bonn's *efforts to build a balanced economy and society***

This presents the construction industry with a challenge – increasing output in the east by 15 per cent annually for 15 years – which many see as impossible.

So far this year, as investors have registered the loss of the early "unification dividends" and the cooling of the boom, German construction stocks have tended to be marked down or put on "hold" in analysts' recommendations.

But there are still a few companies in Germany this year where earnings per share are expected to grow at the rates forecast for builders such as Bilfinger & Berger (24 per cent) or even Strabag, exposed to public spending cuts by its dependence on road construction and other public sector contracts, and still forecast to show a 14 per cent rise.

And while the industry contemplates the daunting panorama of order prospects – *reaching far beyond the former* GDR and into Czechoslovakia, Poland, Hungary and into the former Soviet Union – it also confronts the task of restructuring itself, the better to compete at international level.

German industry is renowned for its plethora of small and medium-sized concerns which comprise the so-called Mittelstand, and construction is no exception. *Of the 65,000 building* companies registered in the west, only 11,000 employ more than 20 people.

According to HDB, the advantages of scale show up in items like personnel costs – 35 per cent of the value of production in a company with more than 500 employees and 41 per cent in one with 20 to 50. Costs of materials to the larger operators are only two-thirds of those carried by the smaller groups.

The trend towards concentration is gathering pace accordingly. In early May, for example, Walter Bau, led by Mr Ignaz Bau, a former apprentice bricklayer, wound up a rapid-fire series of acquisitions when it won control of Munich-based Dywidag. With an extra DM3.7bn in sales, the company was catapulted to a close second place in the German big league and its annual turnover came within DM500m of Phillip Holzmann's DM11bn.

Italian industry's image has been tarnished by political scandals

Contracts lead to corruption

THESE ARE testing times for Italy's construction industry. *Already hard pressed by* difficult economic conditions, the industry has recently come under fire after disclosures of corruption in public contracts.

Earlier this year Milan magistrates, investigating irregularities in major projects, dented the construction industry's reputation when they ordered the arrest of *senior executives* of several construction companies, along with local politicians.

To counteract the damage to the industry's image, the board of ANCE, the national building contractors' association, met last month to discuss the Milan kickback scandal. Pointing an accusing *finger at increasing* delinquency in Italian society generally, ANCE put much of the blame for corruption on the progressive spread of political influence.

Recognising the high *potential for corruption in the* construction industry, the association called for clearer separation between politics and public administration and for greater transparency in awarding contracts. "The construction industry hopes that not only will there be legal outcomes to the present cases, but that there will also be a reversal of the pollution in relations between the public authorities and firms."

Figures from ANCE show that the biggest public spenders are the ANAS highways authority (13.9 per *cent of total public sector* business of L31,461bn last year), the state itself (13.4 per cent), the southern development agency Agensud (11.8 per cent), the FS state railways (9 per cent) and the *ENEL state electricity* corporation (7.4 per cent). The authorities in Italy's many provinces and communes collectively accounted for 35.3 per cent of public sector construction business in 1991.

Though public sector works accounted for only 21.7 per cent of total investment in construction last year – down from 1990's figure of 22.5 per cent – the absolute value nevertheless represented an appetising market for Italy's work-hungry contractors.

Italian construction industry: turnover in Lbn

	1988	1989	1990	1991	1992*
Residential: new	33,507	36,445	40,736	44,435	47,101
Residential: improvements	22,184	23,599	26,753	29,327	31,398
Non-residential: private sector	28,075	31,708	36,423	39,730	42,535
Non-residential: public works	24,423	27,020	30,187	31,461	32,047
Total construction	108,189	118,772	134,099	144,953	153,081
Real change (%)	2.3	3.9	2.5	0.1	-0.4

*ANCE estimate Source: ANCE

If ANCE's forecasts are correct, however, they will be sharing a smaller cake in 1992. The association published figures earlier this year that point to an expected 8.9 per cent fall in the real value of public sector construction. Added to the 3.5 per cent real decline between 1990 and 1991, this will completely erode the growth that occurred between 1986 and 1990.

But the outturn may be worse, ANCE officials now admit. As the recent government decision to freeze all *non-essential* work until October highlights, part of the solution to the problem of Italy's deficit-wracked public sector finances is likely to be a sharp brake on investment. Moreover, the policy of tightening the purse-strings may continue until the mid-1990s as the government attempts to put the accounts in order.

Fortunately for Italy's contractors, there are some areas of light. While local authorities may expect a sharp reining back, ENEL's power station projects should not be *affected. And ANCE is* optimistic that work on Italy's TAV high-speed railway project will be under way before the end of the year. The contractors' association notes that the TAV's mixed *public-private sector financing* and management formula offers an innovative solution.

With the past two years recording significant falls in the real value of investment in public sector construction, and *a short to medium term that is* full of imponderables, companies cannot rely on work from this segment of the market.

Indeed, as ANCE officials note, the health of its membership depends on *private* sector business. And, though registering a significant slowdown, the volume of private sector construction nevertheless continued to grow last year.

ANCE's figures record L73,762bn of total housing investment last year (new and improvements to existing stock), compared with *L67,489bn in 1990.* This represented a volume increase of 1.2 per cent, a modest performance when set against real growth figures of 2.4 and 1.7 per cent for 1988-89 and 1989-1990 respectively.

Non-residential private sector construction provided business worth L39,730bn last year. Notwithstanding the downturn in the Italian economy, this was 1 per cent higher in real terms than in 1990. It represented, however, the end of strong upward trend. Real growth of less than 4 per cent had been recorded *only twice since 1985: 1.6* per cent in 1986-87 and 3.8 per cent in 1987-88.

ANCE's 20,000 member firms, whose payrolls account for about half of the 1m workers employed in the Italian construction industry, are facing a difficult period. Growth in private sector work is not expected to compensate for this year's sharp decline in public sector business.

"The economy is stagnant, and private sector construction activity reflects this. The recessionary climate is deterring industrial and commercial concerns from investment. Housebuilding has also slowed," says an ANCE official. Indeed, the association's forecasts point to zero growth in the construction of new residential property this year.

With ANCE expecting a 0.4 per cent downturn in the real volume of total public and private sector construction work this year, the first negative outturn since 1987, what prospects do foreign *markets offer? Performance* over the past decade, during which Italian contractors have registered a 75 per cent drop in business abroad, suggests that markets beyond Italian borders, reachable only by the largest firms, will not ameliorate the pain being felt at home.

David Lane

Rome

FINANCIAL TIMES

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Andrew Taylor says the British market remains depressed

The pain may linger

THE OFFICE tower at Canary Wharf – Britain's tallest building at 800 ft – dominates the skyline of east London. It stands as a massive monument to the failure of the British commercial property market in the late 1980s.

The failure of the Canary Wharf project and the collapse of its developer, Olympia & York owned by the Reichmann family, mirrors the misery which has been felt by hundreds of British construction companies and building material suppliers.

Just as Centre Point, an office block which remained empty for many years in London's West End, became a symbol of the 1970s property market collapse, so the Canary Wharf tower remains a painful reminder of the precarious nature of speculative development.

The pain looks like lingering. Property investors are unlikely to begin new projects while newly-completed office blocks continue to struggle to find tenants.

This will hit workloads and depress profitability. Intense competition for a diminishing number of potential contracts has meant that profit margins have fallen sharply for other types of construction work.

Contractors which have already cut bids for work as low as possible and still failed to win jobs say that some companies appear to be taking contracts at zero margin or even at a loss. These companies need to keep cash coming in to pay interest payments on borrowings which were raised during the mid to late 1980s when the commercial and residential property markets were at their height.

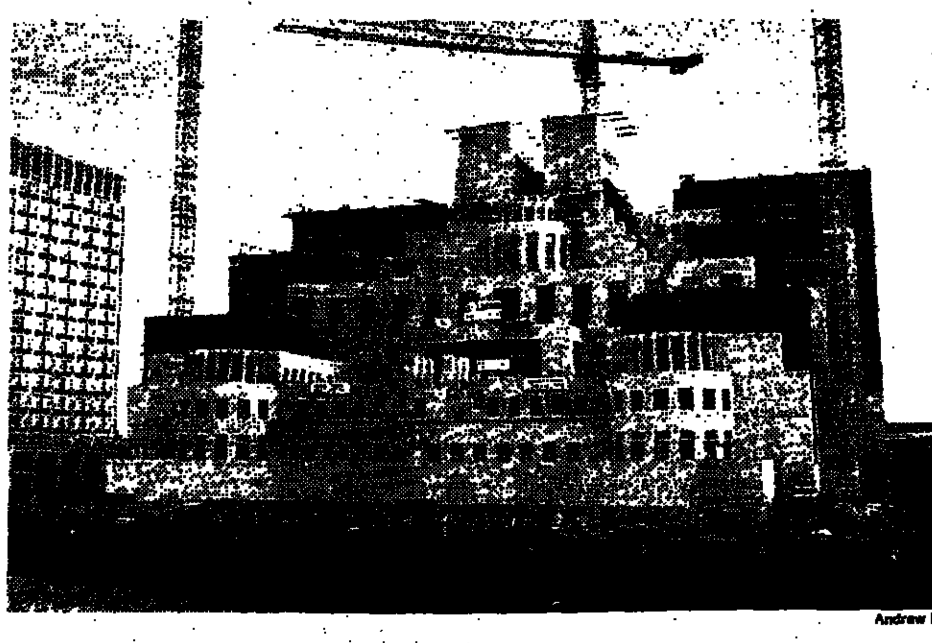
According to a report by the National Economic Development Office, about 33m sq ft of office space was either empty or available for letting in London at the end of last year. This represented 16 per cent of the total office space in Britain's biggest commercial market and would take six years to occupy at normal rates of take-up.

So much space remains empty in London, including large amounts at Canary Wharf, that it could be several years before Britain's biggest commercial property market returns to anything like normality.

The effect on contractors and suppliers has been to reduce workloads while those companies which undertook speculative residential and commercial developments saw the value of their investments fall steeply as the cost of the money borrowed to build them went up.

Even such companies as Wimpey, Barratt, Costain and Tarmac have been required to make substantial provisions, running into hundreds of millions of pounds, to reflect falls in residential and commercial land and property values since the markets peaked in 1988-89. Dividends have either been cut or have been paid only from reserves.

There should be no further write-downs unless there is a further dip in property values. Nevertheless, the outlook for the British construction market remains very depressed – despite signs that a slow thaw may be starting in the housing market.



Andrew Mears

A nine-storey building being constructed by Regalian, just south of Vauxhall Bridge, London

Builders and estate agents say that more people have recently expressed interest in making purchases and visiting houses for sale, but to persuade them to put hard cash on the table remains very difficult.

There is often a long lag between expressions of interest and the actual completion of a sale. Purchases often fall down at the last minute and builders say they still have to offer substantial sales incentives in order to complete deals. They are reluctant to talk of the beginnings of a recovery, particularly as house purchases would normally be expected to rise in the spring.

Nonetheless, companies such as Wimpey, the country's second largest housebuilder, say that sales have been running at about 10 per cent higher this year compared with the corresponding period last year.

Builders remain concerned at margins. One of Britain's biggest construction groups which has a medium-sized housebuilding subsidiary operating mainly in southern England says that it is continuing to sell homes at little or no profit after taking into account interest charges and other overheads.

The company is still working through high cost land bought during the late 1980s when house prices were up to 20 per cent higher in south-east England.

Average UK house prices have continued to fall during the first half of this year and builders do not expect prices to show any real increase before

There is often a long lag between expressions of interest and the completion of a sale

1983. Even then, prices may rise only slowly. There is longer-term concern that Britain's membership of the European exchange rate mechanism will result in slower growth in house prices in future as a result of lower general inflation rates.

Work for housing associations, however, has increased sharply as public and private sector finance available to associations has risen substantially.

The only other glimmer of light in an otherwise gloomy outlook for the sector has been the increased spending by the recently privatised water and power companies which have been catching up with their capital investment, neglected when they were under public ownership.

Water companies, in particular, have been spending heavily, to the benefit of tunnelling companies. Competition among contractors, seeking to replace work lost in other areas of construction, has meant that margins even for water and sewerage projects have not been as high as might have been expected.

Euro Construct, an organisation representing European construction research agencies and economic forecasting bodies, is expected to forecast today that construction output in the UK will fall by about 5 per cent this year. This would follow a 9 per cent fall last year.

The biggest fall is likely to occur in commercial building, mainly offices and shops, where output could decline by more than a fifth this year. Construction of factories and warehouses is also likely to decline as industrial companies continue to hold back from making new investment until they can gauge the strength of the recovery more clearly.

The outlook for private industrial work is difficult to determine now that this sector includes water and power companies. Construction of the Channel Tunnel, also classed as private industrial work in Environment Department statistics, is likely to slow however as the building phase of the project is completed.

Contractors have also been disappointed that the big increase in road spending by the government at the end of the 1980s has not produced a greater flow of orders. Margins for road work are also depressed, along with much of the rest of construction work.

Profits of British construction and building material companies are likely to remain under pressure this year, even though there are unlikely to be any further property write-downs. There is unlikely to be any substantial bounce back next year, with construction output forecast to remain relatively flat in 1993.

Dutch housebuilders may be hit

Expertise could boost orders for specialists

LIKE THE Dutch economy as a whole, the construction industry in the Netherlands is now facing a period of slower growth after enjoying a surge in business in the mid to late 1980s. The downturn for builders, however, is projected to be worse than for the economy's own fortunes.

Housebuilders are expected to experience the greatest contraction in their segment of the market in the years ahead, while specialists in road, soil and marine construction appear to have more favourable prospects, provided that big infrastructure projects such as the expansion of the port of Rotterdam and the Dutch railway network proceed as planned.

Abroad, the Dutch will remain important players in hydraulic engineering, bridge-building and dredging, all three areas in which the Netherlands has become expert through its own struggle against the sea. For example, the country's largest builder, Hollandsche Beton Groep (HBG), is tipped to benefit from orders flowing from Hong Kong's airport project.

HBG has also recently become the first Dutch builder to acquire a major German construction company. Its new subsidiary, Raulf Bau, which has annual turnover of around DM250m, gives the Dutch company a foothold in the former east Germany through two construction companies acquired by Raulf shortly before its own takeover.

Other internationally-active Dutch builders such as Wilma and Kondor Wessels are also stepping up their involvement in German construction projects to benefit from faster rates of growth in the Netherlands' eastern neighbour.

At home, the overall volume of construction is expected to dip in 1992 and then resume a modest upwards trend in the years until 1996. According to the construction industry research institute EIB (Economisch Instituut voor de Bouwnijverheid), the industry as a whole will, on average, post annual growth of 0.3 per cent in the period 1989-1996.

The EIB notes that although the expected growth rate for the early 1990s is relatively small, the Dutch construction industry entered the decade at an historically high level. In fact, even if average annual growth fails to exceed 0.3 per cent, the early 1990s are expected to produce the highest average volume of construction since 1970, as measured by 1987 prices.

Housing, however, is an exception. According to the EIB, this sector could face an annual average decline of 3.9 per cent by 1996, reflecting the cuts in government money for the subsidised housing sector as well as a slowdown in the growth of new households. The research institute forecasts that the number of housing units built with the help of state subsidies will plummet to just 41,000 in 1996 from 61,000 in 1990.

By contrast, the non-housing sector – the industry's largest – will see an 0.8 per cent annual rate of growth, well below the 3.9 per cent forecast for the soil, marine and road sector.

Besides projects in the Rotterdam port and the expected construction of a high-speed "TGV" train line from Brussels to Amsterdam, the Dutch construction industry also looks forward to the launch of Amsterdam's urban development project on the banks of the "IJ" waterway later in the 1990s. Bureaucracy and outstanding financial problems make it difficult to predict a date for construction to begin.

The industry was fined for running a "cartel". The Dutch have appealed and await a court ruling

Dutch builders also face the prospects of fines from the European Commission because of the way the industry deals with tenders. In February, the EC imposed fines of Ecu22.5m on the industry for running what Brussels calls a cartel. The Dutch, who deny price-fixing, have appealed and await a court ruling.

The EC's wrath is directed at the way 7,000 Dutch building companies (and, to a lesser extent, foreign builders who work in the Netherlands) decide among themselves which company should be chosen as the designated bidder for a specific building project.

As part of the system, which accords with Dutch law, the various construction firms hold a meeting to reveal the level of the bids they have submitted. One of them is then selected to negotiate with the commissioning company.

The ultimate price paid for the construction project will include the costs which the other companies incurred in drawing up their bids. These costs are reimbursed to the unsuccessful bidders.

The EC says that the system adds 3 per cent to construction prices in the Netherlands. The industry disputes this, saying that building prices and profit margins are among the lowest in Europe. It also argues that the Netherlands open system is preferable to deals in "smoky back rooms" which it says occur in other countries.

Ronald van de Krol

Spain has gone from frenzy to second gear, reports Tom Burns in Madrid

Applying the brakes

SPAIN'S CONSTRUCTION industry fell to its nadir just when it appeared to be at an all-time frenzy.

In April the paint was still drying on the battery of new buildings at Expo '92, the world exhibition that opened that month in Seville and sign-posts were still going up on the 70 kilometres worth of city ring roads that had been built for the event. In Barcelona, where the Olympic games will be staged next month, a final sprint was on to complete stadiums, more expressways and a custom-built village to accommodate the athletes.

Then, Seopan, the construction industry's association, delivered the bad news. Its newsletter said that – though it had little data to go on so far this year – everything indicated an "alarming" mid-term future for its members.

Cement consumption in January had dropped by 12 per cent against the first month of last year and construction jobs had fallen by 10 per cent in the first quarter.

The most worrying statistic of all was that official tenders in the first two months of this year were 58 per cent down on the same period in 1991, totalling Pta108.9bn (£59.67m). It was the worst two opening months for the past five years.

Mr Leonor Aresti, an analyst at Madrid brokers FG Inversiones Bursatiles, believes the construction sector will find the going very tough until 1993 as the depressed market, illustrated by the collapse of tenders, works its way through the balance sheets with an 18-month time lag.

"Tenders started coming down in the second half of last year" he says, "and they will not begin to rally until the second half of this year."

The construction companies are already feeling the pinch.

The Public Works Ministry, a notorious late payer in an administration that is not noted for the urgency with which it settles its accounts, has traditionally taken between five and six months to pay its contractors. Now the process is taking between eight and nine months and officials are hinting that delays might get longer still.

Overall money owed to the sector is independently calculated at Pta700bn. The big companies can survive – the administration will pay in the end – but many of the small ones are in trouble. Small construction firms, which make their living from sub-contracts and which borrowed heavily during the boom years of the late 1980s, are the last in line to receive payments.

The Spanish economy has changed down fast from overdrive to second gear. It has braked so sharply that the effect on some sectors, such as construction, is more punitive than it would be in economies that had never known such high growth in the first place.

GDP, the gross domestic product, grew at an average 5.2 per cent in 1986-89. In 1990 growth was down to 3.6 per cent and last year it slowed further to 2.4 per cent. Growth this year is expected to be barely above the 2 per cent mark. Internal demand stood at 2.9 per cent last year, nearly two full points down on 1990.

The Finance Ministry has in the meantime unveiled a convergence plan, which aims at righting economic imbalances and so have Spain ready to meet the Maastricht summit's criteria for Economic and Monetary Union within Europe in 1997. The bad news for the construction sector is that under the plan the budget deficit, which currently stands at 4.4 per cent of GDP, will be reduced annually by 0.5 per cent over the next five years.

Now, the Public Works Ministry takes eight or nine months to pay its contractors. Officials are hinting that delays may get longer

If there is a silver lining for the Spanish building industry, it may be found in government statements which indicate continued efforts to improve the nation's infrastructure.

Finance Ministry officials say money will be saved on health and social security benefits but will continue to spent on education, on job training and on infrastructure, the three main areas where there is a clear competitive deficit with the richer EC economies.

The investment programme that has now been completed with Seville's Expo '92 and the Barcelona Olympics has brought into sharp focus the pressing need for continued investment elsewhere. Thus Seville and Barcelona have revamped airports but Madrid's airport is woefully deficient; Seville now has a high speed train link with Madrid, but Madrid urgently requires one with Barcelona; there are four-lane highways linking Barcelona, Madrid and Seville but great swathes of these are already near saturation point.

The Finance Ministry has said although the budget deficit will be cut, investment in infrastructure will go up by as much as 5 per cent a year until 1997. Unfortunately, the increase is to a large extent dependent on EC structural funds, the amounts of which are in doubt, and on private sector financing which so far has not been forthcoming. The construction sector is keeping its fingers crossed.

Richard Tomkins on prospects of completing Europe's train network

The still-missing links

EUROPE'S high-speed rail network represents a potential goldmine for construction and engineering companies. The project is colossal: at the last count, it was estimated to involve spending of more than £100bn to the year 2010.

But the project's scale raises questions about how realistic it is. While parts of the network are already in place or under construction, geographical, technological and financial considerations stand in the way of its completion.

The outline plan for the high-speed network was devised by an EC working group in 1990. Taking as its basis the high-speed rail projects already planned independently by member states, it was completed by pencilling in the missing cross-frontier links needed to join these disparate systems into a coherent whole.

On the face of it, construction of the network has got off to a strong start. The train à grande vitesse, or TGV, is well-established in France: the TGV Sud-Est between Paris and Lyons was completed in 1983.

In Germany, the first two lines of the InterCity Express high-speed network opened last year, between Hanover and Wurzburg and between Mannheim and Stuttgart; in Spain, the first line of the planned Alta Velocidad Espanola high-speed system opened between Madrid and Seville in April.

Other lines are under construction. France is building the TGV Nord from Paris to Calais, a TGV interconnection by-passing Paris, and the TGV Rhône-Alpes from Lyon to Valence. Germany is extending its high-speed lines northwards to Hamburg and southwards to Munich. Italy is extending the Rome-Florence Direttissima northwards to Milan and southwards to Naples.

Yet, almost by definition, the high-speed rail lines that have already been built or commissioned are the most attractive – either because they fulfil the greatest need or because they are the cheapest or easiest to construct. A number of factors could impede progress on subsequent projects.

Almost by definition, the lines already built or commissioned are the most attractive

One obvious obstacle is geography. Mountains and seas, for example, are extremely expensive to tunnel under: witness the £8bn-plus bill for the Channel tunnel. And high-speed lines are highly unpopular when they pass through densely-populated conurbations or areas of natural beauty, as France is beginning to discover with its TGV extensions.

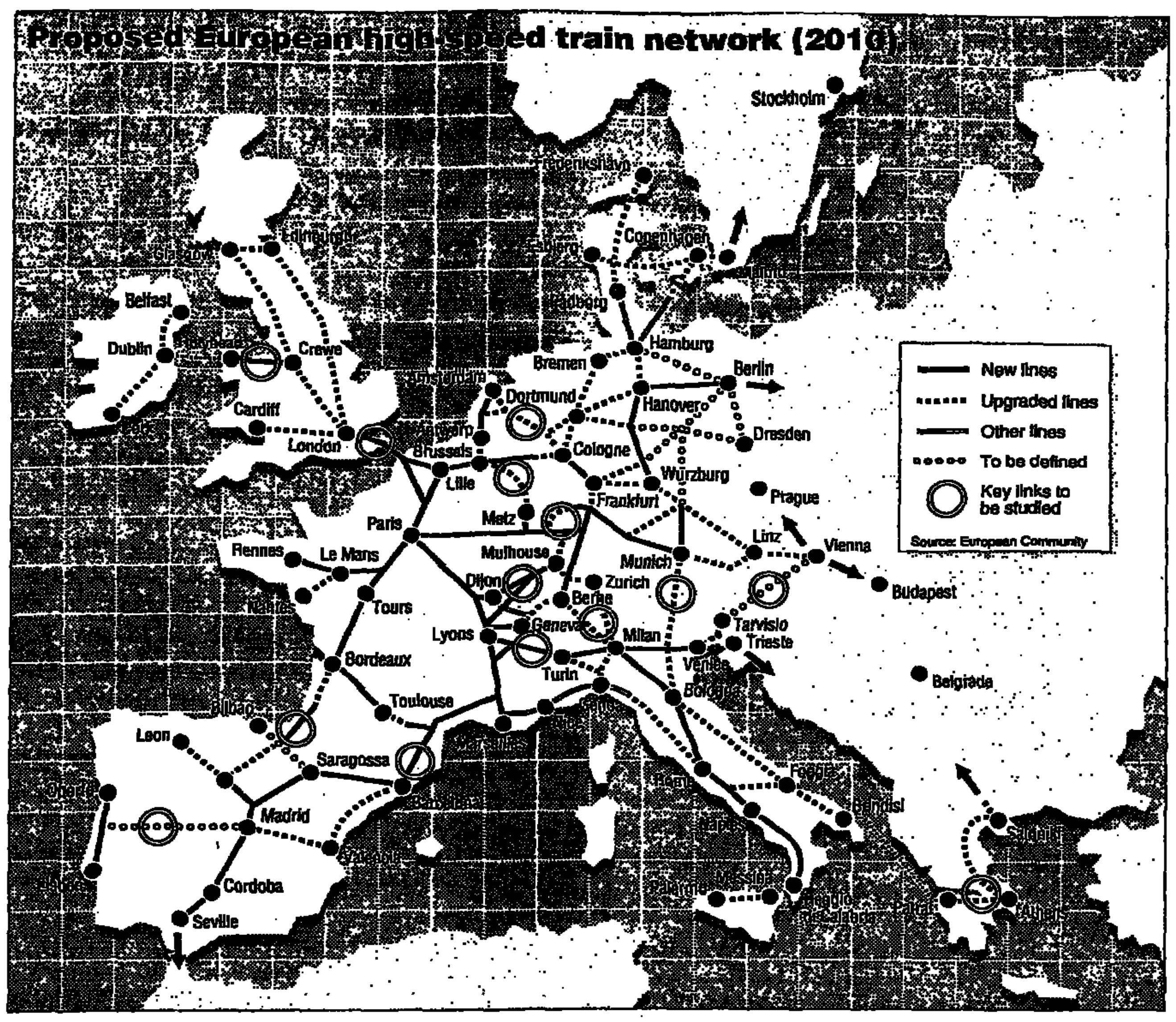
A second factor is finance. Even relatively straightforward high- speed lines are not cheap to build. The greater the geographical difficulties, the more the cost goes up. The planned high-speed link between London and the Channel tunnel, for example, just 69 miles long, is expected to cost more than £4bn because of the need to make it environmentally acceptable to the people of Kent.

A third factor is the so-called frontier effect. Traffic flows tend to be higher within countries than between them, so while there may be a financial case for a high-speed line between two cities in the same country, the case for extending the same line over the border often does not stack up.

That said, there are commitments to building at least some of the lines needed to complete the European network.

- France has adopted a TGV master plan paving the way for 16 projects involving 4,700km of new lines. These include a new TGV line from Paris to Calais via Amiens; an extension of the TGV Atlantique to Bordeaux and Toulouse; extensions of the TGV Sud-Est to the Spanish border and to Nice; and a new line, the TGV Est, from Paris to Strasbourg.
- Germany faces pressure to build a high-speed line from Hanover to Berlin following east-west unification, though there are no firm plans yet.
- Britain has promised to build a line from London to the Channel tunnel, though there are still no indications as to who is to pay for it or when it will be built.
- Belgium is to build a high-speed line linking Brussels with France's TGV Nord at Lille, and continuing beyond Brussels to Liège.
- Italy is planning a high-speed line between Turin and Venice and a line from Milan to Genoa. It is also studying the feasibility of a line from Turin to Lyon in France, plugging into the TGV.
- Spain may build a high-speed Madrid-Barcelona line, though no firm plans exist.

Europe, then, is looking at a considerable expansion of its high-speed rail network: but it may not take place on quite the scale envisaged by the EC. Without an agreement to set up a substantial EC transport infrastructure fund, most of the so-called missing links in the network seem destined to remain exactly that: missing. And while large, thinly-populated countries (*eg* France) may find the benefits of high-speed lines outweigh the costs, smaller and more densely populated ones (*eg* Britain) may prefer to upgrade existing lines.



Barbara Casassus on the French outlook

In the doldrums

THE FRENCH economy may be picking up steam, but the building and construction industry is still struggling and is not expected to start reviving until mid-1993.

Some analysts are forecasting a decline in volume of property construction and public works of between 2 and 4 per cent between 1991 and 1992, with new housing and office building plunging particularly sharply. "The private sector does not want to invest in property", laments a Paris-based analyst.

One clear indicator of the gloom ahead is that cement production in France is forecast to drop by 5 per cent. France exports and imports virtually no cement.

Earlier this month, Mr Jean-Louis Bianco, the housing minister, gave details of a plan to bolster building and public works, but analysts say it is not enough to pull the sector out of the doldrums.

A new housing loan scheme and assorted tax breaks are aimed to boost housing starts from the projected 290,000 this year to at least 300,000, adding a total of 35,000 by the end of next year. By the end of May, the forecast of 290,000 was already looking over-optimistic.

Although not as pessimistic as some, the country's building federation, or Fédération Nationale du Batiment (FNB) says that the first four months of this year suggest that turnover for residential and commercial property construction will shrink by 1 per cent this year.

This compares with a forecast growth in gross domestic product of more than 2 per cent for the year, and represents the biggest gap between the two since 1984. If the government wants the sector to recover, it will have to narrow the differentials in yields on property and securities, says an FNB official.

The outlook is not quite as grim for public works. The public works federation, or Fédération Nationale des Travaux Publics, was very worried when the 1992 public spending programme was unveiled in December. But since then, an extra FFr1.2bn has been allocated for new motorways, increasing the networks by a total of 250 kilometres.

A further FFr1bn has been earmarked for other infrastructure and public transport, which the government has promised will not be taken out of other allocations. Even so, the federation is betting only on 2.5 per cent growth in turnover in 1992, down from 3 per cent in 1991.

Now that France has reached the bottom of the economic cycle, analysts expect the restructuring of the sector to accelerate for building works. It has been slow so far. The five "majors" accounted for 11 per cent of building in 1990, only 1.4 per cent more than in 1987.

Concentration has come mainly through the takeover by large groups of medium-sized rather than small enterprises, and is predicted to continue that way. "Large groups sub-contract work to small local firms in order to keep their payroll down, which is their biggest operating cost," says one analyst. "Medium firms could be in difficulty in the months ahead, and may be bought up cheaply by the majors."

The public works sector, which is more capital-intensive, is more concentrated. In 1990, the majors held 26 per cent of the market and small firms only 5 per cent. About 120 companies with more than 200 employees accounted for the rest.

An exception to the pattern of medium-sized firms being the takeover targets was the FFr4.5bn takeover of Société Auxiliaire d'Entreprises (SAE) by competitor Fougerolle in the spring. This created a group with a turnover of about FFr31bn in building and construction last year, ranking Groupe SAE-Fougerolle fourth among the majors after Bouygues and Société Générale d'Entreprises (SGE), a subsidiary of Compagnie Générale des Eaux, and Lyonnaise des Eaux-Dumez.

The financial position of most of the large groups is healthier than 10 years ago, even though their net margin ranges from 1 per cent for Spie-Batignolles to only 3 per cent for Fougerolle. Spie-Batignolles reported a net loss of FFr950m last year and analysts insist it will have to form a link-up sooner or later. Bouygues has attempted a takeover more than once, but the price has never been right.

Brightening the picture for the "majors" is the fact that most are active internationally. Orders are expanding overseas and margins are more generous than on the domestic market, particularly in eastern Europe, Spain and Asia.

Robert Taylor on the problems of the Nordic region's industry

The bubble that burst

THE PRESENT recession afflicting most of the Nordic region's construction sector looks set to continue until the middle of the 1990s. Indeed, over the next two years a drop of 30 per cent is expected in Swedish residential property investment, the severest decline the country has seen in its building industry since before the Second World War.

It marks quite a contrast with the booming 1980s when construction and real estate were the focus for a speculative but lengthy expansion, based on rocketing property values and frenetic demand across Scandinavia.

The construction bubble really burst in the fourth quarter of 1990 but its negative after-effects continue to blight much of the region in the shape of bad loans to most of the commercial banks, spiralling bankruptcies of many small and medium-sized real estate and property companies and a sharp contraction in new construction projects.

Mr Lars-Ove Hakansson, chief executive of Skanska, the largest construction and real estate company in the Nordic area, warned his shareholders this spring that the Swedish building industry would have to live with the adverse market situation for another three to four years, just as Norway took a long time to adjust after its economic crisis in 1986. To make matters worse, he also suggested the Swedish real estate market faced five more difficult years ahead.

His pessimism is shared by the Swedish government. Its recently published medium-term economic survey forecast a sharp slump in residential construction investment of -16.5 per cent this year and a further -15.5 per cent in 1993.

The trouble is that the construction industry is not just suffering from a cyclical downturn but the consequences of an underlying structural change that is transforming the property market across the Nordic region. All the governments plan to reduce the high levels of subsidisation that have distorted the building sector as it adapts to the 19-nation European Economic Area that comes into force next January.

The Swedish government in particular is seeking to free the property sector from controls that have tended to distort free market forces. The reform of corporate taxation is making mortgage financing of property investment less advantageous while a sharp rise in value-added tax on housing transactions from 12.87 to 25 per cent has added to cost burdens. An investment grant specifically aimed at construction has been abolished.

The overdue deregulation of the Nordic region's over-protected construction industry seems unlikely to stimulate any increase in business activity. On the contrary, it looks as though it could dampen already weak demand still further. Moreover, under the agreed rules of the EEA the Nordic countries will have to accept the principle of open tendering for construction contracts and this looks set to increase competition at a time when there are limited business opportunities.

However, if the recession in housing and commercial real estate persists until 1994-1995, that does not mean there will be a complete stagnation in the Nordic construction industry. Even governments that are determined to maintain tight control over public expenditure programmes seem prepared to encourage selective investment projects to improve the infrastructure, most notably through the construction of better roads and railways.

The scheme to build a road and rail bridge over the waters of the Oresund between Denmark and Sweden should provide plenty of opportunities for Nordic companies in the next few years just as the Great Belt construction scheme in Denmark which is expected to link Zealand with the island of Funen by 1997 has given a boost to several western European building contractors, not just from the Nordic region.

But as Mr Hakansson warned recently, a doubling of transportation infrastructure investments to SKr8-10bn a year will "only offset a small fraction of the shortfall in housing and commercial real estate construction".

However, for Skanska and other large companies the recession has provided the opportunity to become more cost-conscious, to strengthen marketing operations and improve efficiency. When the upturn comes, they will be in a better position to compete successfully in what will be a more global and open market.

COMMODITIES AND AGRICULTURE

Copy-cat contract war breaks out in New York

By Barbara Durr in Chicago

THE NEW York Commodity Exchange (Comex) has begun a copy-cat contract war with the New York Mercantile Exchange (Nymex) in a drive to raise its trading volume. It has applied to the Commodity Futures Trading Commission, the US futures industry regulator, to list platinum futures and options and palladium futures, products already traded at Nymex.

"These contracts will complement our existing metals products," said Ms Donna Redel, Comex's new chairman.

The exchange said that industry users had asked to have the contracts listed, in part because traders would benefit from being able to cross-margin platinum and palladium with its gold and silver contracts. It plans to launch the new products immediately after receiving CFTC approval.

The move follows the news early this month that Comex intended to list a jet fuel futures contract that would compete with Nymex's heating oil futures, which are at present used to hedge jet fuel physical trading. Comex expects to make a formal application to the CFTC to list the contract before the end of 1992.

Earlier this year, Comex won CFTC approval for a Dubai sour crude contract, although a sour crude contract began trading at Nymex in February.

The contract for platinum – the more important of the two metals – to be listed at Comex will be for 50 ounces of 99.9 per cent purity, specifications that match the current Nymex contract. But Nymex, which has traded platinum since 1956, decided some 18 months ago that it would change its contract's specifications to correspond more closely to international standards, which now require 99.95 per cent purity.

Nymex's October 1992 platinum contract, now holding 6,137 lots of 50 troy ounces in open interest, and those beyond that date are already for the new purity standard.

Mr Lou Guttman, Nymex chairman, said: "As an exchange, we have to do what international standards demand, or else our contract becomes antiquated".

He conceded that some in the industry might have been peeved at the change in contract specification, but he believed that his exchange's platinum contract would continue to enjoy deeper liquidity and that the trade would always go where the liquidity was. Mr Guttman predicted dismissively that Comex's new platinum futures "will join the others on the shelf of failed contracts at Comex".

In recent years Comex has failed to extend its range of active contracts beyond copper, silver and gold. According to figures from the Futures Industry Association, trading on Comex fell 26 per cent between 1987 and 1991, from 17.9m lots to 12.6m, while trading at Nymex grew by 53 per cent, from 22.5m to 34.4m, over the same time period.

Ms Redel, aggressively trying to achieve a turn-around in her exchange's fortunes, is casting a wide net for new products. She has even snagged a new financial future on the Eurotop 100, an equity index that trades at the European Options Exchange in Amsterdam. But in the process, Ms Redel seems to be willing to step deliberately on Nymex's toes.

Ill-will permeates relations between the two exchanges. Their on-again-off-again merger talks failed once more last year and a decision early this year by Nymex to withdraw from a joint project with all of the New York exchanges, including Comex, to build a new trading floor embittered relations further.

Belgian sale unsettles gold market

By David Blackwell

NEWS THAT the Belgian National Bank has sold 202 tonnes of gold worth about $2bn unsettled the London bullion market yesterday.

"It is very difficult in such quiet times to pitch one's tent and say yes, it's bullish, or yes, it's bearish," one trader said.

The Belgian deal was completed two weeks ago. After this morning's announcement the gold price moved ahead on relief that such a large sale had been completed without disrupting the market. But fears of possible copy-cat sales from other central banks checked the advance. Gold closed at $342.35 a troy ounce, up 20 cents on the day.

Mr Andy Smith, precious metals analyst with Union Bank of Switzerland, said the gold market had to ponder two variables: how much of the gold had come on to the spot market and over what period? The sale also raised questions about the role of central banks in the gold market.

Ms Rhona O'Connell, analyst with Williams de Broe, pointed out that when the Belgians sold 127 tonnes of gold in March 1989 most of the trade had been done with other central banks and away from the spot market.

Mr Wiktor Bielski of Carr Kitkat & Aitken said that the Belgian move had left about 50 per cent of the bank's total reserves in gold – which took it into line with its EC neighbours. It would be logical to see a shift of gold from the central banks of Europe and the developed countries to central banks of the developing countries in the Far East, where gold reserves are low, he suggested.

There is speculation in the market over whether gold will be counted as reserves when a new European Central Bank is opened.

"If you are in any doubt that gold will be allowable, then you move it now," said one observer.

Another pointed out that while the sale had been handled sensitively, it was nevertheless a sale at low prices. "Who's next?" he asked.

● The Belgian sale will yield about BFr5bn (£85m) of annual interest income for the treasury, according to a senior official, reports Reuter from Brussels.

Extra revenue would be welcome for the Belgian state, struggling to reduce its budget deficit and saddled with a crippling BFr8,000bn debt, the highest in the European Community in terms of gross domestic product.

Mixed feelings on Indonesian oil

Industry executives are down in the mouth, writes **William Keeling**

THE INDONESIAN oil sector is proving the adage that there are two sides to every story. Government officials are celebrating a record number of production sharing contracts signed with foreign oil companies. But at the same time the executives of the latter are looking increasingly down in the mouth about the industry's future in Indonesia.

"Something doesn't add up," explained one company executive, head in hands.

The figures compiled by government give the industry a rosy hue. Government officials say 22 production sharing contracts were signed last year, and a total of 61 in the last four years, more than during the most active periods of exploration in the 1960s and early 1980s.

There have also been higher levels of seismic work: 84,000 sq km in 1990, more than double the average for the past 15 years. Such a level has not been reached since the initial broad seismic mapping of Indonesia between 1969-1972.

With only 36 of Indonesia's 60 known basins so far explored, the country would appear to hold great potential. Talk to some of the oil companies, however, and a very different picture emerges.

The last block to have reserves discovered in excess of 100m barrels was awarded in 1971, officials say. Production is dominated by seven large fields, some of which are reaching maturity. The majority of Indonesia's fields, however, are small and discoveries have not kept pace with demand.

Oil executives say the level of drilling relative to the number of new contracts of work is low. In 1990 actual exploration and development expenditure of $1.26bn fell short of budgeted levels by $90m. The companies believe last year also saw an expenditure shortfall and that the government's target of 176 exploration wells a year, necessary for maintaining existing proven reserves, estimated at 10.9bn barrels, is not being met.

Government officials say new technology may boost recoverable reserves and estimate that there are 20bn barrels with "proven ultimate recovery".

However, neither enhanced recovery nor the assigning of new contract areas are expected to arrest a decline in output. The World Bank estimates current production (including condensate) at 1.6m b/d, but expects this to decline to 1.35m b/d by the turn of the century.

With domestic consumption of about 520,000 b/d last year and increasing by at least 6 per cent a year, government officials concede that Indonesia will become a net importer of oil by 2005 and will have to leave the Organisation of Petroleum Exporting Countries. Some industry officials believe the day of reckoning may be as early as 1997.

Some of the problems facing the industry are intractable. The bulk of Indonesia's proven reserves lie in the western half of the archipelago where past exploration has been most intense. The future lies in the pioneer country of the Timor Gap and the seas and islands between Sulawesi and Irian Jaya.

The geological structure of the area, however, is immensely complex – twisted rock formations crushed between two converging continental shelves. Potential fields are likely to be small and, even with three-dimensional seismic technology, the search for them will be a hit-and-miss affair. On the land mass of Irian Jaya, building pipelines from the interior to enable the export of production would be hugely expensive.

Oil companies admit that tapping the oil fields of countries of the former Soviet Union is likely to divert funds from Indonesia for the immediate future. The problem is compounded, they say, by an industry wide shortage of funds.

"Indonesia is getting a smaller share of a diminishing pool of finance," one executive explained. The situation is worsened, he says, by contract terms which, particularly in relation to tax structure, are amongst the toughest in the world.

Government officials discount many of the oil companies' complaints as simple posturing. They say conditions for deep water and pioneer areas have been relaxed and point to the high number of new contracts as evidence of the oil companies' commitment to Indonesia.

The contracts, however, may be at the heart of the industry's problems. Whilst their conditions remain tough, the contracts have commited companies to relatively low levels of exploration; under the 45 contracts signed between 1987-1990, companies agreed to spend $2.8bn over a six to ten year period. The contracts have opened up new areas for exploration, but the financial commitments of the companies are unlikely to be adequate for the task.

The contracts will prove difficult to renegotiate should the government wish to boost exploration and it may rue the decision to sign so many contracts so quickly.

Company executives admit, however, that the government may yet get the last laugh. "The oil companies have proven to be poor negotiators in the past. The Indonesians have tended to get the better of us," one executive admitted. It need only take one big discovery to prove the government right.

South Africa may abolish agricultural marketing boards

By Philip Gawith in Johannesburg

SOUTH AFRICAN agriculture could be faced with a radical overhaul of its marketing structures following the government's decision to appoint an independent committee to investigate whether agricultural control boards should be abolished.

The decision follows in the wake of a report published by the Board on Tariffs and Trade into food prices, which recommends that the statutory powers of control boards be abolished, with farmers free to market their produce as they choose.

Agricultural control boards – there are 22 in the country – suffered a further setback earlier this month when the Cape Supreme Court ruled null and void charges levied by the Milk Board on farmers. All marketing boards finance their activities by levying producers.

The BTT report arose out of concern at the very high level of food price inflation. Public criticism rose to a crescendo earlier this year when the Central Statistical Service published figures suggesting that food price inflation was running at 29 per cent per annum. The board focused on the divergence between producer and consumer prices in respect of six basic food sectors – red meat, maize, dairy, vegetables, broiler chickens and wheat – which averaged 5.1 per cent during the period 1980-91.

The report concluded that control board schemes contributed 1.5 per cent of the 5.1 per cent discrepancy. One of its recommendations for breaking the inflationary spiral was to scrap control boards, which it felt were contributing to a high degree of concentration in the intermediate levels of the food supply chain.

The government has clearly had its hand forced in announcing the investigation. Although the trend in agricultural policy in recent years has been towards allowing greater play to market forces, Mr Kraai van Niekerk, the minister of agriculture, showed little enthusiasm in a recent interview for grasping the nettle of the control boards.

He noted, correctly, that agriculture was in a transition phase from controls to free markets, but he was clear that the initiative for reform should come from farmers not the government.

"If government is too prescriptive you run the risk of failure. It comes back to you. The farmers must decide. I'm not willing to decide" said Mr van Niekerk. The BTT report, and the attendant clamour about food prices, forced him to change his tune.

Although there are exceptions, like deciduous fruit and sugar, control boards in many industries have become alienated from the producers they purport to represent. They are seen in the public eye not so much as representatives of agriculture as a self-serving and unnecessary layer of bureaucracy.

The boards are not going to give up without a fight. Mr Fanie van Rensburg, chairman of the Agricultural Marketing Boards Co-ordinating Committee has criticised the BTT report as prejudiced and said it would be strongly contested.

Cuban industry goes international

Ian Rutledge and Phil Wright on the country's first licensing round

CUBA WILL offer eight or nine blocks for production-sharing contracts with foreign oil companies later this year, and a British company, Simon-Robertson (previously Robertson Research and now part of the Stockport-based Simon Group) has won the contract to organise the country's first licensing round. An official announcement of Cuba's new oil policy will come on Sunday and presentations, probably involving senior Cuban industry ministers, will be held in London and Calgary in November and December.

A number of blocks have already been allocated to foreign companies in separate bilateral deals. From next August a French consortium involving Total and Compagnie Européene des Petroles, which signed a contract with the Cubans in December 1990, will begin drilling in its northern oil zone blocks. Brazil's Petrobras, Canada Northwest Energy, and the Swedish company, Torus, have also been allocated blocks.

The northern oil zone is more than 1,000 km (620 miles) long and between 80 and 100 km deep, running parallel to Cuba's northern coast and extending into the promising and largely unexplored offshore area. It already accounts for most of the country's domestic production (15,000 barrels of heavy crude and and 1.5m cu ft of gas a day).

The southern oil zone consists of about 60,000 sq km, occupies practically the whole of the onshore area and extends to adjacent offshore areas to the south.

Cuba's state oil company Cupet was formed out of the amalgamation last December of the upstream enterprise Union de Petroleo with the downstream company Cuba Petroleo. At the same time a specialist subsidiary called Commercial Cupet has been established to concentrate on dealing with foreign partners.

The country previously depended for 95 per cent of its oil needs on the Soviet Union, which gave gave its oil industry a distinctly downstream character. A fourth refinery built by Cuban engineers according to Soviet specifications has only recently been completed, giving the country a total refining capacity of 11m tonnes a year. But there is a strong impression that the upstream segment was tending to lag behind.

The main producing fields, Boca de Jaruco and Varadero, were discovered in 1969 and 1971 respectively. While their very heavy, high sulphur crude has swelled Cuba's production considerably since then subsequent discoveries proved disappointing until 1989 when a small new field, Pina, was discovered in the central part of the southern oil zone.

It has 30m barrels of proved reserves of medium gravity, medium sulphur oil, compared with the more than 80m barrels of proved reserves in Boca de Jaruco and Varadero. Cuba has 20 distinct oil basins with in situ reserves estimated at 1,100m barrels.

Ironically Cuba is now competing with its old ally the former Soviet Union for foreign capital investment. Russia and the other states of the CIS certainly have the oil but to date foreign companies have not always found it easy to negotiate contracts in what is often an unpredictable and turbulent political environment.

In contrast, evidence from recent visitors suggests that Cuba's commercial relations with foreign companies are handled in a brisk and business-like manner. Moreover the country has firmly established foreign investment laws dating from 1982, which have already proved effective in attracting Spanish capital into its rapidly growing tourist industry.

Asked if they would welcome US oil companies into Cuba, the unanimous answer received from Cuban officials is "yes – if their Government would let them come".

WORLD COMMODITIES PRICES

MARKET REPORT

The premium for LME cash **ZINC** over three-month metal closed at $86 a tonne compared with *$136.25 on Tuesday. At one* stage it narrowed to around $70 under the pressure of continued liquidation of nearby positions, prompted by the Monday announcement of limits on the daily backwardation. The market is starting to reflect its *unspectacular demand levels* and high stocks after three months of being supported by the developing June squeeze, dealers said. LME **COPPER** closed at the highest level for seven months, encouraged by an early break through previous resistance levels. Traders said *an absence of recent Chinese* selling on rises by three-month copper to around $2,280 a tonne *prompted early short covering* that touched off buy stops. Comex copper futures were extending gains at midday. New York raw **SUGAR** prices were sharply ahead at midday on strong trade house buying, constructive chart factors and *continuing sentiment that nearby* supplies are tight. London **COCOA** managed by the close to claw back some of the ground lost earlier, when trade selling sent the second position contract tumbling to a fresh 16½-year low of £523 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.90-9.00z	+.005
Brent Blend (dated)	$21.00-1.15	-.175
Brent Blend (Aug)	$20.90-1.00	-.125
W.T.I (1 pm est)	$22.15-2.20z	-.125

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$234-236	-2
Gas Oil	$185-186	-3
Heavy Fuel Oil	$82-84	+1
Naphtha	$200-202	-0.5
Petroleum Argus Estimates.		

Other		+ or -
Gold (per troy oz)♣	$342.35	+0.20
Silver (per troy oz)♣	411.0c	-1.0
Platinum (per troy oz)	$368.85	+0.10
Palladium (per troy oz)	$81.00	-0.25
Copper (US Producer)	107.45c	+0.01
Lead (US Producer)	37.00	
Tin (Kuala Lumpur market)	16.32r	+0.03
Tin (New York)	307.50c	
Zinc (US Prime Western)	82.0c	
Cattle (live weight)†	111.64p	+1.76*
Sheep (live weight)†♠	82.05p	-11.6*
Pigs (live weight)†	95.80p	+0.92*
London daily sugar (raw)	$261.5t	
London daily sugar (white)	$294.5t	-1.0
Tate and Lyle export price	£249.5	-1.0
Barley (English feed)	Unq	
Maize (US No 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq	
Rubber (Jul)♥	52.00p	
Rubber (Aug)♥	52.00p	
Rubber (KL RSS No 1 Jul)	222.0r	
Coconut oil (Philippines)§	$505.0w	-5.0
Palm Oil (Malaysian)§	$417.5y	-7.5
Copra (Philippines)§	$400.0y	
Soyabeans (US)	£145.0	
Cotton "A" Index	64.90c	-0.40
Wooltops (64s Super)	406p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jun/Jul y-July w-Jul/Aug z-Aug. †Meat Commission average livestock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Aug	248.20	235.20	240.60	235.60
Oct	226.80	223.40	227.20	222.00
Dec	210.00	210.00	206.00	203.00
White	Close	Previous	High/Low	
Aug	291.50	287.20	291.00	288.00
Oct	274.50	272.00	273.50	270.50
Dec	273.00	270.90	270.00	269.50
Mar	278.00		277.00	275.00

Turnover: Raw 207 (244) lots of 50 tonnes. White 1131 (490)
Paris- White (FFr per tonne): Aug 1568.66 Oct 1461.71

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Aug	21.11	21.12	21.13	20.91
Sep	21.01	21.02	20.98	20.82
Oct	20.88	20.90	20.90	20.73
Nov	20.75	20.76	20.75	20.63
Dec	20.69	20.68	20.57	20.60
Jan	20.50	20.54	20.45	20.44
IPE Index	21.09	21.18	21.09	

Turnover 15,739 (12946)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Jul	187.25	189.00	188.00	186.25
Aug	189.00	190.25	189.25	188.00
Sep	191.00	192.50	191.50	190.25
Oct	193.50	195.00	193.75	192.25
Nov	195.25	196.50	196.50	194.25
Dec	196.75	198.00	197.00	195.50
Jan	194.50	195.75	194.50	
Feb	193.00	193.50	193.00	
Mar	189.00	190.00	189.00	

Turnover 13768 (6134)lots of 100 tonnes

WOOL

Australian wool prices continued to slide this week. The wool on offer did not cover a full range and declines were not large, but the prospect of an easier tendency at the close of the full selling season next week discourages business all down the line. The Australian Wool Corporation has lowered it's forecast for prices next season, now tentatively suggesting an average for the market indicator of 600 cents a kg., compared with 620 cents forecast when the market looked better and supplies were expected to be lower. The market indicator on June 17 was 561 cents a kg., compared with 577 a week before.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Jul	516	520	518	507
Sep	533	537	536	523
Dec	563	566	565	552
Mar	593	595	595	583
May	612	615	614	604
Jul	631	634	635	624
Sep	650	653	653	645
Mar	703	706	710	705

Turnover: 6361 (6827) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 16 688.08 (689.27) 10 day average for Jun 17 674.14 (674.84)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Jul	711	710	715	710
Sep	736	736	740	734
Nov	759	760	763	756
Jan	779	781	778	778
Mar	815		819	

Turnover: (2983) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 16: Comp. daily 49.84 (48.19) 15 day average 49.03 (49.11)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	91.6	91.0	91.6	90.0

Turnover 85 (86) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Aug	123.00	123.00	

Turnover 0 (0)lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Jun	1140	1103	1140	1115
Jul	1045	1022	1065	1030
Aug	1060	1035	1065	1040
Oct	1190	1165	1200	1175
BFI	1154	1158	1154	

Turnover 417 (174)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Jun	122.00	122.65	122.25	122.00
Sep	110.90		110.90	110.75
Nov	113.80	114.00	113.80	113.75
Jan	117.30	117.65	117.40	117.30
Mar	120.40	120.60	120.45	120.35
Barley	Close	Previous	High/Low	
Nov	111.35	111.40	111.40	111.35
Mar	117.35		117.35	

Turnover: Wheat 79 (159), Barley 70 (52).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg				
	Close	Previous	High/Low	
Jul	114.5	114.5	114.3	113.5
Aug	105.0	104.5	104.7	104.0
Sep	105.5		105.0	104.0
Oct	106.5	107.3	106.5	106.0
Nov	108.0	108.5	107.5	107.3

Turnover:17 (32) lots of 3,250 kg

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
(Prices supplied by Amalgamated Metal Trading)						
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 12,730 lots
Cash	1274-5	1270-1		1275-6		
3 months	1300-1	1296-7	1305/1299	1301-1.5	1300.5-1	157,197 lots
Copper, Grade A (£ per tonne)						Total daily turnover 23,549 lots
Cash	1234-5	1222.5-3.5	1232/1231	1231-1.5		
3 months	1254-4.5	1244.5-5	1257/1250	1251.5-2	1257-8	103,748 lots
Lead (£ per tonne)						Total daily turnover 3,096 lots
Cash	290-1	290.5-1		290-1		
3 months	301.5-2	302-2.5	302.5/302	301.5-2	301-2	16,593 lots
Nickel ($ per tonne)						Total daily turnover 2,618 lots
Cash	7160-5	7140-5	7138/7137	7138-40		
3 months	7240-5	7220-5	7246/7225	7225-30	7240-5	23,647 lots
Tin ($ per tonne)						Total daily turnover 2,415 lots
Cash	6610-5	6575-80	6605	6600-5		
3 months	6620-5	6605-10	6640.6615	6630-5	6635-40	9,445 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 20,742 lots
Cash	1305-10	1367-8	1330/1300	1295-300		
3 months	1221-2	1231-1.5	1237/1217	1225-6	1226-7	49,847 lots

LME Closing £/$ rate: SPOT: 1.8635 3 months: 1.8265 6 months: 1.8022 9 months: 1.7814

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	342.20-342.50	
Opening	341.60-342.00	
Morning fix	342.10	183.678
Afternoon fix	342.00	184.109
Day's high	343.00-343.30	
Day's low	341.60-342.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.46	6 months	3.38
2 months	3.41	12 months	3.46
3 months	3.39		

Silver fix	p/troy oz	US cts equiv
Spot	220.70	410.65
3 months	226.20	414.50
6 months	231.65	418.75
12 months	242.50	428.85

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	342.00-343.00	184.00-184.50
Maple leaf	353.00-354.00	190.00-190.50
New Sovereign	82.00-83.00	44.20-44.70

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	87	102	3	3
1300	4	31	20	30
1400	3	4	116	102
Copper (Grade A)	Calls		Puts	
2150	143	147	3	3
2250	46	64	3	16
2350	3	16	57	67
Coffee	Jul	Sep	Jul	Sep
600	111	137		1
650	61	90		4
700	12	51	1	15
Cocoa	Jul	Sep	Jul	Sep
550		14	34	31
575		8	59	50
600		4	84	71
Brent Crude	Aug	Sep	Aug	Sep
2100	40		43	
2150	22		73	
2200	8	23		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jun	341.2	342.2	342.8	341.5
Jul	341.8	342.9	0	0
Aug	342.8	344.0	344.8	342.8
Oct	344.8	345.9	346.6	344.8
Dec	346.8	347.9	348.6	347.0
Feb	349.1	350.2	349.3	349.3
Apr	351.3	352.4	0	0
Jun	353.7	354.8	0	0
Aug	356.3	357.4	357.8	356.8

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jun	368.4	369.4	0	0
Jul	361.9	364.9	368.5	361.5
Oct	369.8	371.9	373.5	369.0
Jan	368.5	370.4	372.5	370.5
Apr	368.4	370.3	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jun	408.4	409.6	0	0
Jul	409.0	410.3	412.0	408.6
Aug	410.8	412.1	0	0
Sep	412.2	413.5	416.0	411.5
Dec	416.8	418.1	419.5	416.5
Jan	418.5	419.8	0	0
Mar	421.9	423.2	424.0	424.0
May	425.4	426.8	426.0	426.0
Jul	428.9	430.3	431.0	431.0
Sep	433.1	434.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	104.20	103.55	104.50	104.15
Jul	104.20	103.55	104.70	103.95
Aug	104.30	103.65	0	0
Sep	104.45	103.80	104.80	104.20
Oct	104.40	103.75	0	0
Nov	104.30	103.65	0	0
Dec	104.25	103.55	104.60	104.05
Jan	103.90	103.35	103.80	103.80
Feb	103.60	103.00	0	0
Mar	103.45	102.85	103.65	103.05

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	61.95	63.35	61.95	61.20
Oct	63.64	64.35	64.61	63.40
Dec	63.93	64.40	64.10	63.50
Mar	65.05	64.80	65.05	64.60
May	65.50	63.50	65.25	64.95
Jul	65.60	62.75	65.50	65.50

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Jul	22.29	22.30	22.31	22.05
Aug	22.34	22.35	22.36	22.12
Sep	22.26	22.28	22.28	22.07
Oct	22.18	22.19	22.19	22.01
Nov	22.09	22.09	22.10	21.92
Dec	22.00	21.99	22.03	21.82
Jan	21.87	21.85	21.79	21.72
Feb	21.74	21.71	21.62	21.60
Mar	21.60	21.57	0	0
Apr	21.46	21.43	0	0

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Jul	6099	6080	6110	6025
Aug	6153	6135	6160	6080
Sep	6261	6247	6270	6195
Oct	6346	6337	6335	6290
Nov	6431	6428	6435	6390
Dec	6511	6506	6520	6470
Jan	6520	6518	6520	6490
Feb	6390	6386	6405	6365
Mar	6145	6143	6190	6140
Apr	5920	5918	5930	5920

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	813	800	825	790
Sep	863	854	877	848
Dec	919	914	935	908
Mar	966	964	977	960
May	1000	991	1000	986
Jul	1029	1020	1026	1014
Sep	1059	1050	1060	1060
Dec	1099	1090	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	81.45	82.60	82.66	81.35
Sep	63.50	64.60	64.55	63.45
Dec	66.40	67.45	67.40	66.40
Mar	69.00	70.30	70.40	69.00
May	73.10	74.30	74.47	73.10
Jul	75.65	76.65	76.50	76.50
Sep	77.25	78.60	78.00	77.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	11.05	10.53	11.14	10.60
Oct	10.02	9.83	10.18	9.86
Mar	9.84	9.65	9.99	9.68
May	9.75	9.58	9.88	9.62
Jul	9.70	9.49	9.78	9.76
Oct	9.53	9.37	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	125.85	126.50	127.50	125.75
Sep	118.10	118.00	119.30	118.10
Nov	113.75	113.50	115.00	113.50
Jan	113.05	112.75	113.90	113.00
Mar	113.00	113.00	113.60	113.50
May	112.60	112.60	0	0
Jul	112.60	112.60	0	0
Sep	112.60	112.60	0	0
Nov	112.60	112.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jun.17	Jun.16	mnth ago	yr ago
1594.6	1595.1	1598.2	1778.2

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jun.16	Jun.15	mnth ago	yr ago
Spot	118.96	119.36	118.58	130.71
Futures	119.79	119.73	119.47	126.13

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	602/6	595/4	608/0	599/0
Aug	606/4	598/2	609/4	603/0
Sep	611/0	603/4	614/4	607/4
Nov	618/4	611/0	622/0	614/0
Jan	626/4	619/2	629/0	622/4
Mar	634/0	627/2	637/0	631/0
May	637/0	631/4	640/0	638/0
Jul	639/0	633/0	643/0	638/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	20.76	20.42	20.83	20.50
Aug	20.91	20.62	20.99	20.75
Sep	21.12	20.85	21.20	20.92
Oct	21.27	20.97	21.30	21.10
Dec	21.57	21.19	21.63	21.35
Jan	21.67	21.30	21.73	21.55
Mar	21.97	21.56	22.00	21.85
May	22.15	21.85	22.15	22.10

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	181.5	180.5	182.8	180.6
Aug	182.2	181.1	183.6	181.4
Sep	182.9	181.9	184.4	182.4
Oct	199.8	199.0	201.2	198.8
Dec	200.5	199.4	202.5	199.4
Jan	201.1	199.7	202.4	200.3
Mar	201.5	201.0	201.5	201.0
May	201.0	200.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	251/4	249/6	254/2	250/2
Sep	256/0	253/2	258/4	254/0
Dec	259/2	258/4	261/6	257/0
Mar	266/4	264/0	268/6	264/2
May	269/2	267/4	271/4	268/4
Jul	272/2	270/2	273/4	271/4
Sep	259/0	257/4	259/0	258/4
Dec	254/4	253/0	258/0	253/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	354/6	353/2	358/0	353/4
Sep	358/0	355/6	360/4	355/6
Dec	365/0	362/2	366/4	363/0
Mar	366/0	362/2	366/4	363/6
May	355/0	361/0	355/0	362/0
Jul	335/4	332/2	336/0	332/0
Sep	342/4	339/2	0	0
Dec	352/4	349/2	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	73.400	73.650	73.625	73.125
Aug	71.050	71.175	71.425	70.825
Oct	71.000	71.175	71.300	70.850
Dec	70.225	70.425	70.450	69.975
Feb	69.750	69.675	69.925	69.600
Apr	70.700	70.950	71.000	70.700
Jun	68.100	68.300	68.300	68.050

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	49.450	48.975	49.500	48.750
Jul	46.250	45.700	46.350	45.550
Aug	43.525	42.775	43.600	42.650
Oct	39.700	39.125	39.825	39.000
Dec	41.925	41.350	42.100	41.350
Feb	43.400	43.200	43.550	43.400
Apr	42.350	42.250	42.350	42.300
Jun	47.500	47.500	47.500	47.400

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	32.975	31.750	33.250	31.650
Aug	30.700	29.775	31.025	29.700
Feb	42.500	42.425	42.775	42.000
Mar	42.250	41.650	42.250	41.100

LONDON STOCK EXCHANGE

Increased selling pressure hits shares

By Terry Byland, UK Stock Market Editor

DEPRESSING news from the corporate sector, but this time from overseas, added to the woes of a UK stock market already upset yesterday by a firm rejection overnight from Mr Norman Lamont, the UK chancellor of the exchequer, of hopes for another early cut in domestic interest rates.

Later, the chancellor followed his strong line on interest rates with a speech reaffirming the government's commitment to the Maastricht proposals, in particular to economic convergence and to sterling's entry to the narrow bands of the ERM range; the market read this as final rejection of political pressures for an immediate base rates cut.

But it was shock waves from Amsterdam, where Philips warned that second-quarter profits would be below the comparable period, that finally upset the UK stock market. Having been 21 Footsie points down in reaction to Mr Lamont's overnight speech, London was rallying successfully towards midsession, halving its early fall and regaining the Footsie 2,606 mark, until the news from Philips threw it into reverse.

Share prices fell for the rest of the session and the FT-SE Index closed down 17.9 at 2,598.4. The market's view of near-term prospects was fairly gloomy, although most strategists took a cautiously positive view of the day's list of important economic *data.

Account Dealing Dates		
*First Dealings:		
Jun 1	Jun 15	Jun 29
Option Declarations:		
June 11	Jun 25	Jul 9
Last Dealings:		
Jun 12	Jun 26	Jul 10
Account Day:		
Jun 22	Jul 6	Jul 20

*New-time dealings may take place from 8.30 am two business days earlier.

The rise of 0.3 per cent in retail sales in May was slightly above expectations, while a 0.2 per cent gain in manufacturing output in April was regarded as an indication of an uptrend in production.

"Today's economic data is consistent with a slow, steady, recovery in the economy," said Mr Ian Harnett of Strauss Turnbull, UK securities arm of Société Générale. However, he drew attention to further data due this week, led today by statistics on wages and unemployment.

The international blue chips were held in check yesterday by firmness in sterling which hurts overseas revenues.

On a more domestic level, nervousness was caused again the prospects of tomorrow's expiry of the June future on the FT-SE Index. Large positions, both bullish and bearish, remain open on the June Footsie contract and prices of the underlying blue chip stocks could be in for heavy and contrasting pressures as the leading securities houses strive to balance positions ahead of Friday's futures expiry deadline.

Seaq-reported trading volume remained unimpressive at 423.7m shares against 391m in the previous session, when retail business remained well short of the £1bn mark regarded as the sign of a healthy equity market. However, traders said that "some stock came out yesterday."

While not too happy to see the Footsie 2,600 mark so quickly abandoned again, market professionals held to the view that, while share prices may remain uncertain for the near future, the relative value of equities against gilts will provide support. The mildly positive response to yesterday's economic statistics suggested improved confidence but the Philips statement turned the spotlight back onto the corporate sector.

GA gains on broker upgrade

A CHANGE of heart by one securities house led to a good showing by insurer General Accident against the generally weak market, the stock rising 9 before ending a net 4 up at 472p. Smith New Court upgraded its stance on the stock to a short-term buy from a hold and improved its forecast for this year to break-even from a previously predicted loss of £30m.

Mr Steven Bird, Smith's insurance analyst, said: "We think that, ahead of interims on August 11, the composites will see further strength, in particular General Accident. The market has underestimated the speed of recovery, particularly in the UK, and with GA's yield being 7.6 per cent investors will be increasingly confident that the dividend will be maintained."

Elsewhere in the sector, Commercial Union was firm at 499p and Sun Alliance hardened a penny to 319p.

Dixons firm

Dixons, up a penny at 253p, failed to gain much advantage from news that its Belgian property subsidiary had refinanced an office development in Brussels for £93m. The group cannot make any profit from the deal until the building is sold, because of a recent preliminary accounting standards draft, but its subsidiary, Codic, can book a profit immediately.

Mr Andy Hughes, analyst at Nomura, said the net contribution to Dixons was likely to be less than hoped, however, and could produce a downgrading in profits forecasts. He has cut the estimate for 1992/93 to £97.5m from £108m.

Holiday groups hit

A gloomy prognosis of overcapacity and tight margins in the holiday industry hit the two leading listed package tour groups. Threats of an all-out price war have been simmering for some time, with market leader Thomson promising to protect its market share in the face of possible discounting by its nearest rivals, Airtours and Owners Abroad.

Yesterday, industry figures showing 1.5m spare places unlikely to be filled this summer sent shivers through the sector, with nervous investors only too aware of the industry's reputation for fallen operators. Airtours weakened 18 to 274p and Owners 7 to 81p.

Notepaper and labels producer Porter Chadburn was the most heavily traded stock on the London market yesterday as company broker S.G. Warburg Securities crossed more than 12m shares between one institution and a number of others.

The shares were traded at 30p each in two blocks of 9m apiece and two blocks of 3.3m shortly before the market closed. Porter's two biggest shareholders are Gartmore Investment and Equitable Life.

Traders said 12m shares would represent about 13 per cent of the company's equity and added that a large stake had been overhanging the market for some time. Over the past week Porter has slipped from 45p and yesterday, before the trade was carried out, the shares lost 5 to 32p.

Figures from Cable and Wireless ahead of expectations and an impressive analysts meeting with management lifted the shares 20 to 560p.

Mr Robert Millington at BZW liked the trend in Mercury margins, although he expressed disappointment at the slow growth in the business customer base.

He has left his pre-tax profits forecast at £740m for next year, while Mr Jim Ross at Hoare Govett has raised his figure by £10m to £770m, pointing to "the particularly strong growth potential in Mercury's residential market".

Dividend worries returned to British Aerospace and the shares gave up some of Tuesday's rally to finish 9 down at 293p.

The announcement of a new chief executive at APV, after a six-month period without one, helped the shares firm 2 to 122p. News of recovery in its spares business continued to boost Rolls-Royce, which put on 3 to 169p. Bargain hunters were seen in Lep Group, 2 higher at 6¼p.

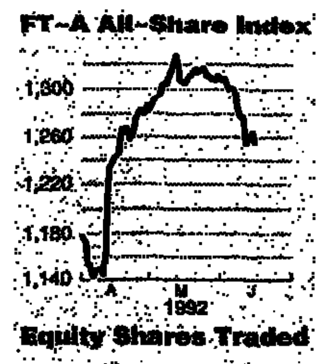
A 62 per cent interim profits fall to £8.2m at office and photographic equipment distributor Gestetner sent the shares retreating 6 to 133p.

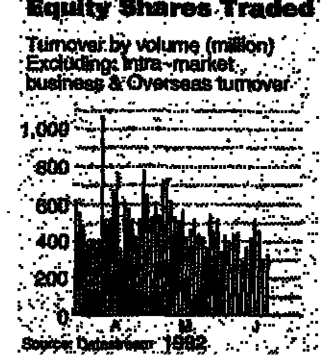
BET moved ahead 10 to 154p after broker S.G. Warburg reiterated its buy recommendation on the stock.

NFC gained 10 to 251p after reporting interim figures static at £39.5m and holding a positive analysts meeting. Mr Dan White at County NatWest said: "These are good results in a soft economy." However, he trimmed his full-year forecast by £5m to £95m.

County also downgraded a number of other stocks in the sector. These included Associated British Ports, in which the broker cut its estimate by £11m to £55m, and the shares fell 10 to 329p. A sizeable line of stock was also reported to be overhanging ABP.

Boots rose 12 to 447p as analysts decided that the recent weakness had overestimated the effect of promotion costs involving the Manoplax drug, and did not take sufficient account of Boot's confidence in its prospects. County NatWest said it was satisfied that some cost increases expressed in the company's recent results had appeared distorted.





A rise of 5¾ to 95¼p in Next prompted some speculation about a possible bid. Turnover was a hefty 5.1m shares.

A decline of 14 to 583p for Guinness, on above-average turnover of 2.9m shares, and of 11 to 658p for Allied-Lyons, in relatively thin trading, were the main features in the drinks sector.

An analysts meeting in France with LVMH, involved in a 24 per cent joint share agreement with Guinness, indicated concern about the level of spirit sales in Japan, while Allied was said to be soft after a recent good rise.

Glaxo and SmithKline Beecham were depressed in late trading by a profits warning from US pharmaceutical group Upjohn. The former retreated 25 to 710p and SmithKline was 18 lower at 871p.

Mining company RTZ gained in a weaker market in response to a rise in copper prices and a stoppage at Poland's big state-owned KGHM copper mine. A technical squeeze also pushed the shares higher, finally 7 up at 630p.

A presentation by ICI today encouraged the shares to recover 5 to 1271p.

A weak dollar and some US selling was blamed for a poor performance by the oil majors. BP continued its downward trend to end 4½ off at 253½p, but where, said traders, it was beginning to see support. Shell declined 5 to 510p.

Rumours of a downgrade left Forte 4 cheaper at 214p. Thorn EMI suffered a fall of 8 to 825p on the back of a profits warning by Philips, the Dutch electronics group.

MARKET REPORTERS:
Christopher Price,
Peter John, Joel Kibazo,
Colin Millham.

■ Other market statistics, Page 24

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (33).
BRITISH FUNDS (2) Treas 9¼pc '93, Treas 4⅛pc IL 2030, AMERICANS (1) Chicorp, BLDG MATLS (1) Johnston, CONGLOMERATES (1) Bodycote Intl, ELECTRONICS (3) Druck, Hoskyns, MMT Computing, ENG AERO (1) Dowty, FOOD MANUF (1) Barr (AG), FOOD RETAILING (3) Appleby Westward, Shoprite, HEALTH & HSEHOLD (1) Assoc Nursing Svcs, INV TRUSTS (3) Finsbury Sm Co's, Gartmore Scotland Zero Pf, Melville Street, MEDIA (2) Midlands Radio, Watmoughs, MISC (4) Erskine House, Do 7¼pc Prf, Gestetner, Portmeirion Potteries, OTHER INDL MATLS (2) Amber Indl, Servomex, PROP (1) de Morgan, STORES (3) Brown & Jackson, Next, Storehouse, TRANSPORT (3) Dawsongroup, P & O 5½pc Pfd, Tibbett & Britten, WATER (1) South Staffs.
NEW LOWS (82).
AMERICANS (6) Ameritech, Gillette, Morgan (JP), Morris (P), Unisab, Whirlpool, CANADIANS (1) Hudson's Bay, BANKS (4) ANZ, Kyowa Saitama, Mitsubishi Tst & Bkg, Natl Australia Bk, BLDG MATLS (2) Plasticoat, Unigroup, BUSINESS SERVS (1) Burns-Anderson, CONGLOMERATES (3) AGA, Bibby (J), Porter Chadburn, CONTG & CONSTRCN (1) Kajima, ELECTRICALS (1) NEC, ELECTRONICS (2) Norsk Data, Trace Computers, ENG GEN (1) Kvaerner, FOOD MANUF (3) Tate & Lyle, Do 7.25p Prf, Utd Biscuits, FOOD RETAILING (1) M [illegible]

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Wednesday June 17 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Jun 16 Index No.	Mon Jun 15 Index No.	Fri Jun 12 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (178)	860.57	-0.1	6.69	5.35	19.40	16.21	861.64	851.91	855.64	819.37
2	Building Materials (22)	965.86	-0.5	5.80	5.80	23.19	22.03	971.03	959.01	966.88	1036.21
3	Contracting, Construction (28)	891.11	+0.4	4.00	6.78	53.12	24.60	887.82	878.69	888.75	1248.48
4	Electricals (8)	2543.45	-0.6	6.78	6.06	19.18	68.82	2559.73	2562.71	2553.50	2345.10
5	Electronics (29)	1998.20	-0.2	8.00	4.26	15.75	9.02	2002.72	1979.23	1982.66	1747.04
6	Engineering-Aerospace (6)	368.13	-0.7	9.90	7.08	12.78	11.27	370.86	364.26	369.52	418.96
7	Engineering-General (44)	540.43	-0.4	7.40	4.41	16.78	9.02	542.61	537.22	540.88	444.46
8	Metals and Metal Forming (8)	342.20	-0.1	0.81	10.12	-	3.54	342.49	336.05	339.73	449.35
9	Motors (14)	362.83	-0.3	7.32	6.48	17.97	10.04	363.98	361.99	360.94	324.15
10	Other Industrial Materials (19)	1814.43	+0.4	6.83	4.57	17.65	34.66	1807.76	1787.04	1788.46	1502.93
21	CONSUMER GROUP (189)	1666.17	-0.7	7.33	3.44	16.77	23.58	1678.40	1664.80	1671.39	1460.52
22	Brewers and Distillers (24)	2169.77	-1.2	7.74	3.41	15.59	29.32	2195.93	2171.56	2164.05	1813.14
25	Food Manufacturing (18)	1267.26	-0.8	8.52	4.15	14.53	23.82	1277.46	1273.11	1281.29	1163.87
26	Food Retailing (18)	2931.10	+1.1	8.28	3.11	15.82	44.51	2900.25	2875.79	2889.60	2595.30
27	Health and Household (24)	3904.98	-2.1	7.06	2.71	16.14	36.33	3989.94	3950.86	3954.81	3511.89
29	Hotels and Leisure (20)	1302.43	-1.7	6.07	5.19	21.32	23.50	1324.66	1323.67	1342.23	1283.31
30	Media (25)	1590.08	-0.3	6.17	3.30	20.18	25.88	1595.25	1591.12	1605.94	1390.75
31	Packaging, Paper & Printing (17)	815.06	......	6.32	4.05	19.19	14.29	815.46	809.98	820.35	689.96
34	Stores (33)	1081.99	+1.1	7.08	3.42	18.68	15.85	1070.65	1057.70	1063.62	891.55
35	Textiles (10)	695.74	-0.4	6.60	4.47	19.11	12.44	698.70	697.97	708.77	555.99
40	OTHER GROUPS (116)	1278.69	-0.4	9.70	5.10	12.87	19.74	1284.07	1278.00	1291.87	1222.13
41	Business Services (17)	1431.21	-0.1	6.41	3.60	19.20	15.14	1432.68	1418.98	1422.62	1256.91
42	Chemicals (22)	1516.38	......	7.04	4.81	17.42	31.75	1516.28	1512.77	1525.03	1389.60
43	Conglomerates (11)	1314.61	-1.1	9.82	7.23	12.71	23.62	1328.76	1323.41	1335.72	1461.20
44	Transport (14)	2541.74	......	8.06	4.61	15.12	49.58	2543.14	2536.79	2581.56	2193.04
45	Electricity (16)	1310.85	-0.1	14.11	5.24	8.99	17.21	1311.78	1317.47	1320.63	1185.93
46	Telephone Networks (4)	1419.64	......	10.92	4.65	11.94	17.36	1419.62	1407.92	1424.46	1454.29
47	Water (10)	2723.42	-0.4	16.04	6.10	6.90	54.92	2733.37	2714.26	2790.26	2259.57
48	Miscellaneous (22)	2025.84	-1.8	5.56	4.87	24.11	23.41	2063.71	2046.52	2069.62	1936.60
49	INDUSTRIAL GROUP (483)	1343.22	-0.5	7.95	4.32	15.68	20.72	1350.23	1339.91	1348.21	1229.20
51	Oil & Gas (17)	2112.26	-1.2	7.18	6.73	18.30	63.69	2138.78	2135.20	2127.95	2356.56
59	500 SHARE INDEX (500)	1415.42	-0.6	7.87	4.57	15.92	24.01	1423.89	1413.89	1421.23	1325.32
61	FINANCIAL GROUP (86)	748.38	-0.8	-	6.06	-	19.80	754.23	748.21	751.30	783.42
62	Banks (9)	942.83	-0.9	5.12	5.79	30.93	24.58	951.78	945.02	946.81	866.64
65	Insurance (Life) (6)	1517.62	-1.2	-	5.87	-	44.26	1535.51	1523.25	1528.39	1473.35
66	Insurance (Composite) (7)	546.87	......	-	6.36	-	13.46	547.06	539.81	536.04	677.58
67	Insurance (Brokers) (10)	917.12	-0.6	8.31	7.11	15.83	29.69	922.65	920.26	929.65	1119.31
68	Merchant Banks (7)	497.84	-0.2	-	4.34	-	11.25	499.07	500.26	507.13	417.77
69	Property (32)	656.41	-1.1	8.93	6.99	15.16	18.82	663.63	654.40	667.03	914.93
70	Other Financial (15)	250.62	-0.3	7.26	6.96	18.68	5.32	251.40	251.43	254.15	273.66
71	Investment Trusts (69)	1174.38	-1.3	-	3.82	-	18.05	1190.29	1184.56	1198.48	1213.73
99	ALL-SHARE INDEX (655)	1255.19	-0.6	-	4.73	-	22.64	1263.20	1254.26	1260.82	1194.88

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 16	Jun 15	Jun 12	Jun 11	Jun 10	Year ago
FT-SE 100 SHARE INDEX§	2598.4	-17.9	2606.0	2595.0	2616.3	2593.6	2603.7	2614.1	2636.1	2484.7

FIXED INTEREST

	PRICE INDICES	Wed Jun 17	Day's change %	Tue Jun 16	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	122.74	+0.06	122.67	2.11	5.72
2	5-15 years (24)	137.98	+0.07	137.89	1.86	6.89
3	Over 15 years (10)	148.62	+0.05	148.55	1.37	6.06
4	Irredeemables (6)	165.16	+0.02	165.12	1.67	6.35
5	All stocks (64)	135.65	+0.06	135.56	1.91	6.51
	Index-Linked					
6	Up to 5 years (2)	173.65	-0.03	173.71	0.81	1.83
7	Over 5 years (9)	153.71	+0.03	153.65	0.98	2.04
8	All stocks (11)	155.27	+0.02	155.23	0.95	1.99
9	Debs & Loans (63)	120.25	-0.01	120.27	2.25	5.55

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jun 17	Tue Jun 16	Year ago (approx.)
	British Government				
1	Low	5 years	8.08	8.10	9.07
2	Coupons	15 years	8.96	8.96	10.13
3	(0%-7¾%)	20 years	8.96	8.96	10.13
4	Medium	5 years	9.18	9.19	10.47
5	Coupons	15 years	9.08	9.09	10.38
6	(8%-10¾%)	20 years	9.07	9.07	10.30
7	High	5 years	9.39	9.40	10.65
8	Coupons	15 years	9.28	9.28	10.54
9	(11%-)	20 years	9.23	9.23	10.41
10	Irredeemables	†	9.23	9.23	10.30
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.92	3.90	4.32
12	Inflation rate 5%	Over 5 yrs.	4.31	4.31	4.32
13	Inflation rate 10%	Up to 5 yrs.	3.15	3.13	3.36
14	Inflation rate 10%	Over 5 yrs.	4.11	4.11	4.12
15	Debs &	5 years	10.53	10.52	11.89
16	Loans	15 years	10.39	10.38	11.68
17		25 years	10.28	10.27	11.50

§Opening index 2603.5; 9 am 2597.4; 10 am 2603.3; 11 am 2601.8; Noon 2605.5; 1 pm 2604.9; 2 pm 2604.0; 2.30 pm 2601.2; 3 pm 2599.2; 4.10 pm 2598.7; (a) 11.49am (b) 8.56am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

FINANCIAL TIMES STOCK INDICES

	June 17	June 16	June 15	June 12	June 11	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.76	88.74	88.70	88.82	88.71	83.66	89.62 (29/5)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.36	104.37	104.42	104.63	104.44	92.90	105.92 (2/6)	97.15 (2/1)	105.92 (2/6/92)	50.53 (3/1/75)
Ordinary Share●	2022.1	2037.0	2026.4	2025.3	2039.5	1971.9	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	105.1	105.3	104.3	103.7	103.1	199.4	150.6 (10/1)	103.1 (11/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2598.4	2616.3	2593.6	2603.7	2614.1	2518.0	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1202.27	1207.88	1199.73	1207.55	1207.41	1176.07	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.58	4.54	4.57	4.56	4.54	4.81				
●Earning Yld %(full)	6.72	6.65	6.70	6.69	6.66	6.60				
●P/E Ratio(Net)(☆)	18.65	18.83	18.70	18.75	18.81	14.50				
SEAQ Bargns 5.00pm	22,012	21,353	21,201	27,881	22,751	28,572				
Equity Turnover(£m)†	-	809.1	881.2	1098.2	1263.0	863.40				
Equity Bargains†	-	24,465	23,814	30,736	26,449	30,381				
Shares Traded (ml)†	-	349.6	305.3	471.2	520.3	446.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.30

Ordinary Share Index, Hourly changes — Day's High 2028.3 — Day's Low 2018.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2024.2	2019.9	2024.2	2022.8	2027.5	2026.7	2026.9	2022.5	2023.0

FT-SE 100, Hourly changes — Day's High 2606.0 — Day's Low 2595.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2603.5	2597.4	2603.3	2601.8	2605.5	2604.9	2604.0	2599.2	2599.0

FT-SE Eurotrack 200, Hourly changes — Day's High 1204.19 — Day's Low 1200.19

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1201.36	1200.34	1201.64	1203.29	1202.30	1202.88	1201.84

GILT EDGED ACTIVITY

Indices*	June 16	June 15
Gilt Edged Bargains	95.3	95.0
5-Day average	105.5	105.9

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ACT	11	473	-5	Comm. Union	455	490		Lucas	1,600	127	-1	Shell Transport	1,200	510	-5
ASDA Group	3,500	38½	+1	Cookson	685	150	+1	MB Caradon	785	280	-7	Siebe	89	708	-3
Abbey National	3,300	282	-1	Courtaulds	815	570		MEPC	252	302	-8	Slough Ests	1,100	182	-1
Albert Fisher	698	71	-1	Dalgety	254	418	-4	Maxwell	18	344	+1	Smith (W.H.) A	268	488	+1
Allied-Lyons	1,200	658	-11	De La Rue	371	587	+10	Marks & Spencer	1,100	336	+4	Smith & Nephew	2,700	148½	-1
Amstrad	639	48½	-1	Dixons	280	253	+1	Midland Bank	6,700	431	-4	SmKl Beecham	1,000	871	-18
Anglian Water	146	401	-3	Eastern Elect.	278	279	+2	Midlands Elect.	249	304	-1	SmKl Beecham Uts	91	[illegible]	-25
Argos	478	287	+3	East Midland Elec.	762	280	+1	NFC	1,400	251	+10	Smiths Inds.	225	293	-2
Argyll Group	1,400	351	+3	Eng China Clays	541	523	-8	NatWest Bank	2,200	330	-7	Southern Elect.	202	291	-1
Arjo Wiggins	573	257	-1	Enterprise Oil	1,000	405	-3	National Power	694	240	-½	South Wales Elect.	98	384	+1
Ass. Brit. Foods	303	434	-4	Eurotunnel Units	237	337	+3	Next	5,100	95½	+5½	South West Water	142	397	
[illegible]															
British Airways	2,700	270	-5	Hillsdown	1,000	164		Rentokil	436	183	-5	Unilever	2,100	943	-1
British Gas	4,300	252½	-3½	IMI	139	272	-1	Reuters	534	1112	-2	United Biscuits	2,200	357½	-12½
British Land	307	208	-1	ICI	1,200	1271	+5	Rolls Royce	1,500	169	+3	Utd. Newspapers	91	419	-2
BP	3,900	253½	-4½	Inchcape	942	478	-5	Rothmans	411	1088	-3	Vodafone	5,600	341	-3
British Steel	8,700	72		Kingfisher	778	529	-7	Ryl Bk Scotland	1,400	195	-2	Warburg (SG)	25	548	-1
BT	4,600	346	-3	Kwik Save	579	631	+1	Royal Insurance	2,100	238	-4	Wellcome	818	944	-3
BT New	6,800	123	-3½	Ladbroke	5,400	206	-8	Saatchi	211	172		Welsh Water	351	428	+2
Bunzl	198	103	-1	Land Securities	2,200	403	-8	Sainsbury	1,800	496	+7	Wessex Water	169	493	+2
Burmah Castrol	475	627	-6	Laporte	189	618	-1	Scottish & New.	542	458	-3	Whitbread 'A'	792	444	-7
Burton	6,600	50	-½	Legal & General	910	385	-8	Scot. Hydro-Elect.	784	192½		Williams Hldgs.	1,500	327	
Cable & Wire.	4,700	580	+20	Lloyds Abbey	108	378		Scottish Power	1,600	180	-½	Willis Corroon	725	244	-2
Cadbury Schweppes	970	472	-5	Lloyds Bank	2,700	407	-8	Sears	6,100	91		Wimpey	788	194	-4
Calor Group	75	191		LASMO	3,900	209		Sedgwick	1,300	207	+2	Wolseley	312	396	-8
Carlton Comms.	1,100	628	-22	London Elect.	433	320		Seeboard	70	308		Yorkshire Elect.	582	359	-1
Coats Viyella	398	195	-1	Lonrho	1,700	81	-1	Severn Trent Water	494	382	-1	Yorkshire Water	573	450	-3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE strong rally in stock index futures recorded on Tuesday petered out following overnight falls in Tokyo and the lack of news on a cut in interest rates, writes Joel Kibazo.

June opened around 2,605, well down on Tuesday's levels but at a premium to cash of about 2. However, it was sent into retreat by selling mainly from independent traders and had fallen to 2,592, below the cash market level, by 9am.

After a bout of sideways trading, June recovered due to support at the lower levels coupled with the release of two sets of UK economic data. One showed a rise in manufacturing in April and another showed a slight rise in high street sales, all of which sent the contract climbing back to 2,609.

With little in the way of features in the afternoon, June drifted lower, while the poor opening on Wall Street ensured that any attempts at a rally were kept in check. June closed at 2,599, down 21 on the previous close but just ahead of the underlying cash market. Turnover at 6,810 was poor.

Traded options remained dull with turnover reaching a mere 25,939 lots of which 11,476 was recorded in the FT-SE 100 option. GEC was the most actively traded stock option. It traded 1,620 contracts with the February 240 calls the busiest series.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		100¼	—	101¼	100⅜	12.26	9.75
13½pc 1992		100⅞	—	102¼	100⅞	13.38	9.68
Treas 8¼pc 1993		99⅛	+⅛	99⅛	97⅜	8.31	9.22
10pc 1993‡‡		100⅜	—	100½	99⅞	9.96	9.44
[illegible]							
Treas 13¼pc 1997‡‡		114⅜xd	—	114⅜	110⅛	11.59	9.36
Exch 10½pc 1997		104⅜	+⅛	105⅜	100⅜	10.01	9.18
Five to Fifteen Years							
Treas 8¾pc 1997‡‡		98⅜	+⅛	99	94	8.89	9.09
8¾pc 1997 D		98½	+⅛	99⅛	95⅛	8.88	9.11
Exch 15pc 1997		122⅛	—	122⅜	118⅛	12.24	9.51
9¾pc 1998		102⅜xd	+⅛	103⅛	97⅜	9.52	9.17
Treas 6¾pc 1995-98‡‡		92⅛	+⅛	93⅛	86⅜	7.33	8.46
15½pc '98‡‡		128⅛	+⅛	129⅛	123⅛	12.09	9.42
Exch 12pc 1998		112⅜	+⅛	113⅛	107⅜	10.64	9.29
Treas 9½pc 1999‡‡		102⅜	+⅛	102⅞	97⅛	9.29	9.02
Exch 12¼pc 1999		114⅜	+⅛	115⅛	109½	10.71	9.31
Treas 10½pc 1999		106½	+⅛	107⅜	101⅜	9.86	9.19

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Conversion 10¼pc 1999		105½	+⅛	106⅞	100⅜	9.72	9.19
9pc 2000‡‡		99⅝	+⅛	100⅜	94⅝	9.03	9.05
9% 2000 C		39⅜	+⅛	40⅛	38⅜	9.10	9.05
Treas 13pc 2000		119⅞	+⅛	121⅛	114⅜	10.84	9.41
10pc 2001		104⅜	—	106¼	99⅜	9.54	9.16
[illegible]							
Treas. 9pc 2012		99⅜	+⅛	102⅛	93⅜	9.02	9.02
Treas 5½pc 2008-12‡‡		68⅛	+⅛	69⅛	62⅞	8.07	8.93
7¾pc 2012-15‡‡		88⅛	+⅛	89⅜	81⅜	8.80	8.99
Exch 12pc '13-'17		127⅜	—	130⅛	120⅛	9.40	9.04
Treas 8¾pc 2017		97⅜	-⅛	70⅛	67⅛	8.98	8.94
Undated							
Consols 4pc		42⅞	—	43⅜	39⅞	9.33	-
War Loan 3½pc‡‡		38⅛	—	39⅛	35⅛	9.17	-
Conv 3½pc '61 Aft		61⅛	—	62⅛	59	5.69	-
Treas 3pc '66 Aft		31⅜	—	32⅛	29⅜	9.49	-
Consols 2½pc		26⅜	—	27⅛	24⅜	9.26	-
Treas. 2½pc		26⅛	—	27⅛	24⅜	9.36	-

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Index-Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	127¼	-⅛	127⅝	122⅛	2.37	3.81
2pc '96	(67.9)	164¼	-⅛	164⅛	178⅜	3.29	3.96
2½pc '01	(78.3)	148⅜	-⅛	148⅜	143	4.01	4.36
[illegible]							

WALES
The FT proposes to publish this survey on September 16 1992 from its print centres in Tokyo, New York, Frankfurt, Roubaix and London. It will be read by senior businessmen and government officials in 160 countries world wide. It will also be of particular interest to the 130,000 directors and managers in the UK. Who read the weekday FT. If you wish to reach this important audience with your services, expertise or products whilst maintaining a high profile in connection with Wales, call Clive Radford on 0272 292565 Fax 0272 225974 Merchant House, Wapping Road, Bristol BS1 4RU
Data source: BMRC Businessman Survey 1990
FT SURVEYS

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.79	17.41	17.41
0100	19.69	17.27	17.27
0130	19.69	17.29	17.29
0200	19.69	17.29	17.29
0230	19.69	17.29	17.29
0300	19.69	17.29	17.29
0330	19.69	17.27	17.27
0400	19.69	17.27	17.27
0430	19.69	17.27	17.27
0500	19.69	17.27	17.27
0530	17.56	17.27	17.27
0600	17.56	17.27	17.27
0630	17.57	17.48	17.48
0700	20.06	19.13	20.27
0730	22.87	21.90	23.14
0800	23.11	22.69	23.94
0830	25.56	25.36	26.67
0900	28.00	25.38	26.86
0930	28.00	26.40	27.71
1000	28.00	26.45	27.75
1030	28.00	26.45	27.74
1100	25.61	26.40	27.68
1130	28.61	26.40	27.68
1200	32.09	26.40	27.67
1230	32.09	26.40	27.67
1300	32.09	26.40	27.67
1330	32.09	24.57	25.79
1400	25.57	24.57	25.79
1430	25.57	24.16	25.38
1500	25.67	24.16	25.38
1530	25.57	24.57	25.80
1600	26.60	24.57	26.80
1630	26.50	26.40	27.67
1700	26.50	26.40	27.68
1730	26.50	26.40	27.67
1800	26.60	24.18	26.39
1830	24.09	22.86	24.04
1900	23.86	21.90	23.05
1930	23.16	21.79	22.94
2000	22.87	21.79	22.97
2030	22.78	17.52	17.52
2100	22.78	17.60	17.60
2130	26.00	26.40	27.71
2200	26.00	26.40	27.70
2230	29.30	26.40	27.71
2300	29.30	22.72	23.93
2330	21.90	19.73	20.86
2400	19.94	19.46	20.60

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.
NGC Settlements Limited

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs h	14⅝xn	-1/16	19⅛	14⅝	12,466	2.3
ψAllegheny & W	302p	+6	336p	226p	160.9	5.8
Amdahl	825p	-43	1159p	815p	922.6	0.7
Amer Cyanamid	30	-¼	37	30	2,748	3.1
Amer Express	12 9/16xd	-3/16	13⅞	10 11/16	6,931	4.5
Amer T & T	22⅞xd	-3/16	24⅞	20⅛	38,234	3.2
Ameritech	34¼	-9⅞	39 13/16	24¼	10,017	8.2
BankAmerica	23⅝xd	-3/16	27⅛	19 1/16	4,109	3.1
Bankers NY	30 3/16xd	-¼	37¼	28⅞	2,498	6.2
Bell Atlantic	23⅝	-⅛	28¾	23⅛	10,178	8.2
BellSouth	28¼	—	28¼	25	12,778	5.9
ψBethlehem Steel	8 7/16xd	-¼	9⅝	7	944.5	–
Bowater	1150pxd	-11	1678p	1078p	416.6	5.8
CPC h	23⅞	+¼	26⅝	22⅞	4,816	2.8
ψCadiz Land Inc	285p	-11	342p	168p	–	–
California Engy	642p	—	693p	637p	116.9	–
Campbell Soup	17 3/16	-¼	23 1/16	17 3/16	4,418	2.5
Chase Manhattan	14⅞xd	-3/16	16½	9⅛	2,091	4.5
Chrysler	11 3/16xd	-1/16	11¼	6¼	3,278	3.0
Citicorp	11⅛xd	+⅛	11⅛	5⅜	3,882	–
Colgate-Palm	27½xd	—	29 1/16	25¼	4,378	2.2
Cont'l Bank	941p	-10	1036p	499p	558.9	3.6
Dana	23¼xd	-3/16	24½	14 3/16	1,052	3.9
Data General	417p	-1	1084p	413p	115.1	–
Dial	18 13/16xd	-1/16	24⅛	18⅞	788.2	3.3
Dun & Brad	29⅛	-½	33½	27⅛	5,242	4.4
Eaton	43¼	-¼	46½	32½	1,478	2.9
Echlin	10xd	-⅛	11	7⅝	659.5	3.9
FPL	18 3/16xd	-⅛	20	18⅛	3,140	7.4
Fluor	22¼xd	-3/16	27	21	1,804	1.0
Ford Motor	25 9/16	+3/16	26⅝	15	12,392	2.2
Gen Elect	41½xd	+⅛	45¼	40 1/16	35,061	2.8
ψGeneral Host	462p	—	505p	380p	–	4.5
Gillette	24 7/16xd	-3/16	29⅞	24 7/16	5,369	1.7
Hasbro	15¾	-¼	16	12⅝	2,314	0.7

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

Notes	Price	+or-	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc	89½	-½	107	83½	12.9	–	–
Cap	24	-1	42	12½	–	36.5	29.6
Stepped Pf †	140½	—	141¼	126	8.8	–	–
Zero Div Pf	185	-½	186	168½	–	–	–
Warrants	4½	-½	9	3½	–	–	–
Scot Value	80½	+½	84	46	3.8	82.3	-1.1
Sec Alliance †	1168	-12	1265	1130	4.9	1335.8	12.8
Second Market	240	-2	244	222	4.8	283.1	15.3
Sec Tst Scot	70	-1	75½	63	4.2	73.0	3.4
Select Assets	90	-1	102½	90	1.3	129.4	30.4
Eq Ind Serl	118	-6	123	108	4.8	–	–
Eq Ind SerII	118	-3	123	109	4.8	–	–
Shires	240xd	-2	249	195	10.2	238.0	0.8
11pc Cv Ln '03/04	£175½	—	£119½	£95½	9.5	–	–
Slam Select	72	—	91	72	1.9	87.4	17.6
Warrants	13	—	21	13	–	–	–
Smaller Cos	80	-2	85	67	4.2	90.5	9.7
Warrants	19	—	28	10	–	–	–
Sphere Inc	14	—	20	13½	29.5	20.6	34.9
Zero Div Pf	76	—	77¼	65¼	–	–	–
Warrants	8¼	—	3½	8¼	–	–	–
Stratton	150	-6	166	147	1.4	162.9	13.1
Sumit	55	—	55	36	3.8	109.5	49.8
TR City of Lon	122	-1	127½	97½	5.2	117.1	-4.2
TR Euro Growth	80	-1	96	79	1.7	97.1	16.5
Ptg Sub	48	—	54	48	2.9	–	–
TR Far East Inc	90	-2	98	76	8.5	102.2	11.0
Warrants	18	-1	22	12	–	–	–
TR High Inc	100	—	110	91	7.4	102.6	-5.1
Sub	30	—	35	25	8.7	–	–
TR Pacific	90	-2	90	71	8.4	97.2	7.4
TR Prop	20½xd	-1	27	20	8.4	30.8	33.3
TR Smaller	135	-3	152	118½	2.7	150.7	10.4
TR Technology	81	—	37	25	8.8	92.1	66.3

MERCHANT BANKS

Notes	Price	+or-	1992 high	low	Mkt Cap£m
Ansbacher (H)	33	—	34	26	91.8
Barings 8pc Cv 2nd Pf	85xd	—	100	83½	11.9
9¼pc Non-Cum Pf	116¾xd	+½	122¼	103¼	48.3
Brown Shipley	128	—	204	119	19.6
Close Bros †	249	-1	287	245	92.7
Hambros	254xd	—	282	215	430.3
7½pc Cv Pf	100	-1	119	93	103.5
Joseph (L)	330	—	333	318	77.3
Kleinwort Benson	312	-1	324	212	466.8
Rea Bros	35	—	37	28	19.7
Schroders	1330	-3	1365	1043	[illegible]
N/V	1135	-5	1158	883	148.8
Singer & Fried	44	-1	50	37	84.8
Warburg (SG)	540	-1	605	445	1,100
8pc Cv Pf	191	-1	204	150	91.2
Wintrust	220	—	295	213	18.7

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cater Allen Investment Management (CI)						
CA Gilt Income			£6.33	6.62	-0.06	8.13
CA Gilt & Futures			£1.046	1.099	...	7.28
CA Equity Gwth			£3.99	4.37	...	3.20
Citibank (CI) Ltd "Citifunds"						
Short term Investment Funds						
Irish £ Jun 18				118.745	-0.165	-
Equity Funds						
Japan Equity Jun 18				57 370	-0 162	-
US Em Hith Jun 15				$21 893	-1.550	-
US Em Tech Jun 15				$18 025	-1 032	-
Citicare Jun 15				$33.594	-2 378	-
Bond Funds						
GNMA Bond Jun 15			$14 934	14.940	+0 027	-
EBC Trust Company (Jersey) Ltd						
EBC Amro Trusted Currency Fund Ltd*						
Income			$15 29	15 779	+0 020	2.72
Capital			$23.79	24.544	+0.030	5.50
*Offer price includes 3% prelim. charge						
International Income Fund						
Eurobd Long Term*			$34 03	35.5729		4 75
* Offer Price includes 3½% Initial Charge						
Equitlink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV June 11 C$13.18xd						
First Aust Prime Inc Inv Co Ltd NAV June 11 US$11.05xd						
NAV Diluted to reflect exercise of all Wnts C$12.82xd US$10.75xd						
Fidelity Investment (CI) Ltd						
Sterling American			£2.431	2.559	-0 007	-
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16.53		(z)	-
Foreign & Colonial Mngmt (Jersey) Ltd						
Hypo Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash				$10.70	—	-
Sterling Cash				£11 96	+0 01	-
US$ Bonds				$14.90	+0 02	-
Multicurrency Bonds				$20.06	+0 04	-

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Overt intervention by Italians

EUROPEAN currencies had a turbulent afternoon on the foreign exchanges yesterday after the Bank of Italy intervened heavily in the open market to support the lira, *writes James Blitz*.

Although opinion polls suggest that the Irish people will vote "Yes" to the Maastricht Treaty on European union today, traders have been noticeably edgy about the overall prospects for European Monetary Union (Emu) since the Danes voted "No" in their referendum. Yesterday, the lira fell victim to uncertainty yet again: the failure of the Maastricht accord would reduce the incentive for this politically muddled country to reduce its massive budget deficit.

Goldman Sachs, the US investment bank, fanned the flames over the Italian currency yesterday. The bank said Italy's budget deficit could lead to a devaluation of up to 8 per cent. Heavy lira selling ensued, the currency dipped below L758 to the D-Mark for the first time in six months and ended firmly at the bottom of the grid in the European Monetary System.

The Italian central bank responded with its heaviest intervention in the market this month, selling D-Marks for lire. A Bank of Italy official was forced to confirm publicly that the speculation about a devaluation was "nonsense". But at L757.50 to the D-Mark, the currency was trading close to the intervention point, suggesting that the Italians' efforts amounted to little more than a holding operation.

By contrast, sterling appreciated sharply against the D-Mark after Mr Norman Lamont, the UK chancellor, underlined Britain's commitment to European economic convergence. He also said the pound could enter the narrow bands of the EMS when the time was right.

There was nothing new in Mr Lamont's remarks, but the market's directionless mood made his statement seem important. Sterling rose nearly a pfennig following the statement, peaking at DM2.9254 before closing at DM2.9250. A mixed batch of UK indicators had little effect on the pound: May's retail sales were poorer than expected, increasing by 0.3 per cent, and May's industrial production figures were only marginally better than predicted, rising 0.7 per cent.

Sterling was helped by a weaker tone to the D-Mark, which lost ground to the US dollar. There was nothing concrete behind the US currency's strength. A dealer said that today's holiday in Germany had led to short-term dollar buying; another said that an Irish "Yes" to Maastricht would weaken the D-Mark as Emu tensions ease.

The dollar climbed more than a pfennig against the D-Mark to finish at DM1.5780 in Europe. In New York it slipped back to a DM1.5745 close.

£ IN NEW YORK

June 17	Close	Previous Close
£ Spot	1.8563-1.8573	1.8643-1.8653
1 month	0.98-0.96pm	1.01-0.99pm
3 months	2.81-2.78pm	2.76-2.73pm
12 months	9.20-9.10pm	9.23-9.13pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 17	Previous
8.30 am	92.9	92.8
9.00 am	92.9	92.8
10.00 am	92.9	92.8
11.00 am	92.9	92.8
Noon	92.9	92.8
1.00 pm	92.9	92.8
2.00 pm	93.0	92.8
3.00 pm	93.0	92.8
4.00 pm	93.0	92.8

CURRENCY MOVEMENTS

Jun 17	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.0	-19.0
U.S Dollar	62.3	-16.5
Canadian Dollar	99.2	-2.7
Austrian Schilling	110.2	+12.3
Belgian Franc	111.7	-1.8
Danish Krone	109.9	+3.9
D-Mark	119.0	+25.4
Swiss Franc	107.3	+15.9
Dutch Guilder	114.8	+16.4
French Franc	104.9	-11.5
Lira	98.3	-20.2
Yen	141.6	+77.3
Peseta	107.9	-18.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for June 16

CURRENCY RATES

Jun 17	Bank § rate %	Special * Drawing Rights	European † Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Kuwait	0.53800 - 0.53900	0.29000 - 0.29300
Luxembourg	60.05 - 60.15	32.40 - 32.50
Malaysia	4.6755 - 4.6875	2.5170 - 2.5180
Mexico	5610.65 - 5622.85	3121.00 - 3122.00
N.Zealand	3.4270 - 3.4315	1.8425 - 1.8450
Saudi Ar.	6.9370 - 7.0140	3.7495 - 3.7505
Singapore	3.0135 - 3.0205	1.6225 - 1.6235
S.Af (Cm)	5.2020 - 5.2140	2.8040 - 2.8055
S.Af (Fn)	6.6430 - 6.7640	3.5715 - 3.6365
Taiwan	45.55 - 45.75	24.70 - 24.80
U.A.E.	6.7925 - 6.8695	3.6715 - 3.6735

*Floating rate. Iran Official rate:£119.70 $65.10

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 17	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	170.517	-4.60	5.72	75
Spanish Peseta	133.631	129.049	-3.43	4.44	58
Belgian Franc	42.4032	42.2180	-0.44	1.30	23
Dutch Guilder	2.31643	2.31086	-0.24	1.11	13
D-Mark	2.05586	2.05117	-0.23	1.09	16
Irish Punt	0.767417	0.767575	0.02	0.84	0
French Franc	6.89509	6.90686	0.17	0.69	-8
Sterling	0.696904	0.701771	0.70	0.16	-15
Danish Krone	7.84195	7.89785	0.71	0.15	-31
Italian Lira	1538.24	1551.50	0.86	0.00	-41

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Jun 17	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.854	2.925	235.5	9.895	2.630	3.293	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.539	1	1.578	127.0	5.316	1.419	1.776	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.342	0.634	1	80.51	3.369	0.899	1.126	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.246	7.873	12.42	1000.	41.85	11.17	13.98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.015	1.881	2.968	239.0	10.	2.669	3.341	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.380	0.705	1.112	89.54	3.747	1	1.252	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	0.304	0.563	0.888	71.52	2.993	0.799	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.452	0.838	1.322	106.4	4.453	1.188	1.488	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C$	0.450	0.835	1.317	106.0	4.437	1.184	1.483	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.664	3.085	4.867	391.8	16.40	4.376	5.479	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.544	1.008	1.591	128.1	5.359	1.430	1.791	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.702	1.301	2.053	165.3	6.916	1.846	2.311	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
105	-	-	-	0.12	0.31	-
106	-	-	-	0.26	0.51	-
107	1.09	-	-	0.51	0.82	-
108	0.60	1.07	-	1.01	1.26	-
109	0.26	0.66	-	-	1.82	-
110	0.12	-	-	-	-	-
Open Int	78,737	26,520	200	72,256	30,350	400

Estimated volume 39,182 Total Open Interest 210,463

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	● Robert Fleming & Co.	10	Provincial Bank PLC	14
Bank of Cyprus	10	Robert Fraser & Ptnrs.	10.5	● Rea Brothers	10
Bank of Ireland	10	Girobank	10	Roxburghe Bank Ltd.	11
Bank of India	10	● Guinness Mahon	10	Royal Bk of Scotland	10
Bank of Scotland	10	Habib Bank A.G. Zurich	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	● Hambros Bank	10	Standard Chartered	10
Barclays Bank	10	Hampshire Trust Plc	13.5	TSB	10
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10	Unibank plc	10
Brit Bk of Mid East	10	● Hill Samuel	10	● United Bk of Kuwait	10
● Brown Shipley	10	C. Hoare & Co.	10	Unity Trust Bank Plc	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Western Trust	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Bullish trading

TRADE IN the sterling futures and cash markets was bullish yesterday after the British chancellor made a strong commitment to European monetary convergence and the possibility that the pound would enter the narrow bands of the European Monetary System.

The comments from Mr Norman Lamont gave a strong boost to sterling on the foreign exchanges, pushing the pound up by a pfennig against the D-Mark to close at DM2.9250. His remarks also boosted sterling futures. The September short sterling contract ended up 3 ticks at 90.26, and the December contract up 2 ticks at 90.55.

Traders said Mr Lamont's speech reinforced the bullish mood created by two tabloid newspapers on Tuesday, both of which said that a near-term base rate cut could be signalled by the UK authorities. The longer dates in the sterling interbank market reflected that mood: everything from six-month sterling libor out to one-year finished down 1/16 at 9 7/8 per cent.

The shorter dates were also softer, in spite of the large shortages forecast by the Bank of England this week. One-week sterling libor ended at 10 1/8 per cent, from a previous close of 10 1/4 per cent. Three-month money closed unchanged at 10 per cent, although in the morning it had been up at 10 1/16 per cent. The June short sterling contract expired at 89.94, coming into line with that rate.

The Bank of England's operations were in the style of Monday and Tuesday. The shorter dated Bands 1 and 2 were bought at 9 7/8 per cent, Band 3 at 9 13/16 per cent and Band 4 at 9 25/32 per cent.

In the morning, the Bank of England forecast a shortage of £1.5bn. It then purchased £18m of Band 3 bank bills, £7m of Band 4 bank bills, and £331m of bills for resale to the market at 9 15/16 per cent on July 6.

Later, the Bank bought £18m of Band 1 bank bills, £18m of Band 2 bank bills, £121m of Band 3 bank bills, £2m of Band 4 bank bills, and £152m of bills for resale to the market on July 6 at 9 15/16 per cent.

In the afternoon, the Bank purchased £344m of Band 1 bank bills, £12m of Band 2 bank bills, £14m of Band 3 bank bills and £2m of Band 4 bank bills. The Bank provided late assistance of around £380m.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,876 Set by GRIFFIN

ACROSS

1 Companion aiming to travel round US state (8)
5 Resolve to get river police in (6)
9 Representative of a less corrupt person (8)
10 Has tag removed, horrified (6)
12 Say worker in queue is Rose (9)
13 Sensitive greeting left one embracing (5)
14 Dull sweetheart with companion (4)
16 Pressing one man to go after divorcee (7)
19 Judge takes part in rare production (7)
21 Bearing fuel on back is wise (4)
24 Do air waves, for wireless? (5)
25 Ostracise dirty dancing assembly (9)
27 Language of Slack Alice after midnight! (6)
28 Many people departing on choppers (8)
29 Latvian returned soldiers' message (6)
30 Won't work without nurse rejected for inactivity (8)

DOWN

1 The local amount raised for shellfish (6)
2 Coolly transferred my call (6)
3 One black Japanese settler becomes writer (5)
4 Greed of girl worried Eric (7)
6 Artist's impression? (9)
7 Assumed I made rum containing spirit (8)
8 Request for opening to take food in (8)
11 Charge first tourist to enter gala (4)
15 Writer is taking quarter commission (9)
17 Being angry with a girl ruined song (8)
18 Live and die, possibly not outwardly dutiful (8)
20 Said you are standing by her (4)
21 Went ahead after last shower stopped (7)
22 Run to me for a floral arrangement (6)
23 Clips pupils' page inside (6)
26 Ken's empty greeting to Jack (5)

Solution to Puzzle No.7,875

HUSBAND SEAPORT; RAISE EARTHWORM; COUNTRIES NASAL; TRAMP INSPECTOR; RETICENCE MANET; LIVID SITUATION; CAPRICORN TOKEN; RATTLER REDHEAD

WORLD STOCK MARKETS

CANADA

TORONTO

4:00 pm prices June 17

MONTREAL

4:00 pm prices June 17

Total Sales 16,775,100 shares

INDICES

NEW YORK

DOW JONES	Jun 17	Jun 16	Jun 15	Jun 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	3387.76	3329.49	3354.90	3354.36	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	99.09	100.08	99.94	99.89	100.17 (19/5)	98.41 (20/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1318.20	1342.68	1343.80	1346.23	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.82	214.63	215.32	214.07	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High 3347.94 (3378.97) Low 3271.17 (3321.73)

STANDARD AND POOR'S

	Jun 17	Jun 16	Jun 15	Jun 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	402.26	408.32	410.29	409.76	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	474.02	481.44	484.19	483.85	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.27	34.91	35.08	34.97	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	221.45	224.72	225.62	225.51	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	379.74	386.12	388.78	391.32	418.99 (12/2)	379.74 (17/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	553.24	564.07	569.01	569.52	644.92 (12/2)	553.24 (17/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jun 12	Jun 5	May 29	year ago (approx.)
Dow Industrial Div. Yield	3.03	2.99	2.99	3.03
	Jun 10	Jun 3	May 27	year ago (approx.)
S & P Industrial div. yield	2.69	2.63	2.65	2.74
S & P Indl. P/E ratio	28.44	28.96	28.77	19.24

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Telefonos	4,784,908	45⅝	- 2⅞
Coca Cola	4,306,100	39⅞	- 1⅝
Philips	3,908,400	16⅝	- 5
Citicorp	3,449,600	20⅞	+ ⅛
Philip Morris	2,781,000	71	+ ⅝
Merck	2,676,600	47½	- 1¼
Riverwood	2,604,800	14¼	----
Am T & T	2,556,300	42½	----
Gen Motors	2,366,400	41⅛	- 2⅞
Tyco Toys	2,328,700	16	- 2

TRADING ACTIVITY

† Volume (Millions)	Jun 17	Jun 16	Jun 15
New York SE	227.650	178.860	159.060
Amex	13.472	10.037	10.406
NASDAQ	(u)	163.179	132.356
NYSE			
Issues Traded	2,257	2,249	2,244
Rises	380	756	746
Falls	1,423	955	913
Unchanged	454	538	585
New Highs	25	40	32
New Lows	84	42	42

CANADA

TORONTO	Jun 17	Jun 16	Jun 15	Jun 12	1992 HIGH	1992 LOW
Metals & Minerals	3125.80	3168.64	3174.53	3196.97	3238.87 (16/1)	2828.26 (8/4)
Composite	3360.19	3407.27	3409.77	3408.00	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1770.32	1797.62	1799.90	1796.92	1937.59 (16/1)	1727.04 (8/4)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jun 17	Jun 16	Jun 15	Jun 12	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1631.1	1639.4	1647.1	1651.3	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	706.4	709.9	710.1	707.9	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	403.97	409.58	411.99	412.54	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	976.80	988.86	992.51	993.44	1099.43 (24/2)	981.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1189.99	1202.40	1206.18	1211.28	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	319.02	322.91	325.42	326.10	365.29 (15/1)	319.02 (17/6)
FINLAND						
HEX General (28/12/90)	786.9	791.8	791.3	781.6	935.90 (24/2)	778.30 (9/4)
FRANCE						
CAC General (31/12/82)	525.86	526.44	527.15	530.50	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1908.84	1931.41	1918.14	1928.29	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	706.39	709.10	708.23	710.20	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	1992.30	2000.3	1997.1	2002.6	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1771.78	1779.10	1773.90	1782.27	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5846.06	5846.75	(c)	5819.07	6082.70 (27/5)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1370.07	1363.78	1357.26	1356.52	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital (1972)	469.69	468.79	472.85	474.94	551.59 (6/2)	468.79 (16/6)
MIB General (2/1/92)	925.0	925.0	934.0	938.0	1086.00 (5/2)	925.00 (16/6)
JAPAN						
Nikkei (16/5/49)	16445.80	16953.53	16953.23	17383.68	23801.18 (6/1)	16445.80 (17/6)
Tokyo SE (Topix) (4/1/68)	1276.61	1307.21	1305.47	1328.36	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1950.39	1967.07	1977.15	1991.18	2459.85 (6/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	603.19	602.15	600.17	590.55	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tst Rtn Gen (End 1983)	309.8	313.6	312.0	313.9	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	211.7	214.3	213.2	214.6	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	724.52	732.03	735.80	743.74	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1535.82	1578.48	1575.56	(c)	1588.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	410.44	410.89	409.33	408.80	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1152.0	1148.0	1147.0	1113.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4545.0	4548.0	4522.0	4590.0	4689.00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	576.72	579.95	579.81	566.28	691.48 (8/2)	561.76 (9/6)
SPAIN						
Madrid SE (30/12/85)	248.78	248.78	246.88	248.41	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	943.30	950.1	948.1	943.5	1014.50 (11/5)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	863.7	866.8	860.8	866.7	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	655.3	658.0	654.2	659.4	682.30 (11/5)	601.30 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4603.90	4637.78	4672.49	4681.07	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangok SET (30/4/75)	756.29	749.74	743.37	740.69	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	495.6*	500.9	500.9	503.6	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	936.15	942.66	938.9	941.10	976.55 (25/5)	870.31 (2/1)

**Saturday June 13: Taiwan Weighted Price: 4676.13, Korea Comp Ex. 580.80. ‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 17th June 1992

	Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod	7.8m	961	-27
Morinaga Milk	4.7m	870	-28
NPN Steel Corp	3.8m	265	-14
Japan Metal	3.5m	662	-49
Sanyo-Kokusaku	3.0m	526	-18
Nomura Sec	2.9m	1,300	-100
Sumitomo Metal	2.6m	248	-12
NKK	2.5m	243	-12
Sato Kogyo Co	2.5m	900	-70
Mitsubishi Hvy	2.4m	548	-21

4:00 pm prices June 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅝	11⅞	AAR Corp	0.48	3.9	15	108	12⅝	12⅛	12⅜	-⅛
26	20⅝	A L Labs A x	0.18	0.9	81	143	21	d20¼	20⅝	-⅜
66¼	56	AMP Inc	1.62	2.6	23	939	58¾	58¼	58¼	-¼
80¼	60⅝	AMR				1849840	63½	62½	62⅝	-¼
2⅜	1⅜	ARX			2	182	1¾	1¾	1¾	
53½	40¾	ASA	2.00	4.6	12	305	44⅜	43⅞	43⅞	-⅜
34¼	26⅛	Abbott Lab	0.80	2.2	20	1818	27½	27⅛	27⅜	+⅛
13⅞	12	Abitibi Pr	0.50	3.8	9	46	13⅝	13½	13¼	-½
11⅞	10⅛	ACM Gvt In x	0.86	8.6		256	11⅛	11	11⅛	+⅛
10⅝	9⅛	ACM GvOpp x	0.80	8.2		703	9¾	9⅝	9¾	
9½	8½	ACM Gvt Sp	0.80	8.8		437	9¼	9	9⅛	
11¼	10⅛	ACM Gvt Se	0.86	8.9		321	10⅞	10⅜	10⅞	-⅛
9⅝	8⅝	ACM Man x	0.95	10.1		269	9½	9¼	9⅜	
12⅞	10⅝	ACM Managd x	1.08	9.4		69	11⅝	11½	11½	-⅛
11¼	6¼	Acme Cleve	0.40	5.5	25	164	7⅜	7¼	7¼	-⅛
6¼	4½	Acme Elect			4	5	4⅝	4⅝	4⅝	
33¼	16⅞	Acuson				135105	21¼	20¾	21¼	-⅛
19½	18⅛	Adams Expr	0.48	2.6	0	60	18¾	18⅝	18¾	
49⅛	38¾	Ad Micro	3.00	7.8		188	39	d38½	38⅝	-¾
21½	14½	Ad Micro P	3.00	20.7		63208	14⅞	d14½	14½	-½
9⅛	5	Advest Grp	0.16	2.6	61	110	6⅜	6⅛	6⅛	-⅛
71¾	35	Aegon ADR	1.69	4.9	6	46	35⅛	d34¾	34¾	-⅛
47	38⅛	Aetna Lf	2.76	6.8	7	1479	41¼	40⅞	40⅞	-⅛
12	8⅝	Ahmanson	0.24	2.3	11	531	10⅜	10⅛	10¼	-⅛

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4:00 pm prices June 17

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices June 17

FINANCIAL TIMES Thursday June 18 1992

AMERICA

Optimistic Fed report falls on stony ground

Wall Street

US STOCK markets continued their sharp decline yesterday after a Federal Reserve report that the economy continued to improve at a modest pace dampened hopes of a further cut in interest rates, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was 41.73 lower at 3,287.76. The more broadly based Standard & Poor's 500 fell 6.04 to 402.28, while the American SE composite lost 6.38 to 379.74 and the Nasdaq composite dropped 10.83 to 553.24. Turnover on the New York SE was fairly heavy at 228m shares.

Prices opened weaker in the wake of the steep fall in Tokyo to a 5½-year low and on concern about the fragility of the US markets. The selling, however, did not start in earnest until after midday, when the Fed's "Beige Book" report on business conditions across the US was released.

The book indicated that the economic recovery was continuing, and that inflationary pressures in the economy were light. Investors, however, chose to sell on the report, probably because they believed the news of improving economic conditions further reduced the chances of another interest rate cut. A late burst of program selling added to the downward pressure, sending the Dow tumbling past its support level of 3,300.

The losses were spread throughout blue chip issues. General Motors fell $2⅝ to $41⅝, General Electric $1 to $76⅝, Westinghouse $⅛ to $17½ and Coca-Cola $1⅜ to $39⅝. Coca-Cola was also affected by reports that the soft drinks group had told analysts that second-quarter estimates of 42 to 44 cents a share were appropriate.

Telefonos de Mexico shares, heavily bought by US investors in the wake of the group's privatisation last year, continued to suffer, falling a further $3⅛ to $45⅝.

Upjohn declined $1⅜ to $32⅜ in heavy trading after the drugs group said it did not expect second-quarter net income to exceed the 70 cents a share earned a year ago. The news depressed some other drug stocks, with Pfizer dipping $1⅛ to $67⅝, Merck $1⅛ to $47¼, Glaxo ADRs $⅜ to $25⅜ and Schering-Plough $1⅛ to $50⅝.

AMR, parent of American Airlines, eased $⅜ to $62⅝ on news that it will probably report a second-quarter loss because of higher fuel prices and the recent air fares war.

Medical Care International dropped $6⅛ to $48¼ after agreeing to merge with Critical Care America.

Saô Paulo's Bovespa index recovered an early 4.4 per cent drop to stand 0.2 per cent down at 21,814 at noon yesterday, *Bill Hinchberger writes.*

On Tuesday the index reached January levels after a 7.4 per cent drop, the steepest since last October. Telebras, which was 26.4 per cent below January levels in dollar terms by Tuesday's close, lost a further 2.1 per cent.

In Mexico, the stock exchange index was 5.6 per cent lower at midmorning. Telmex L shares, heavily sold in New York, were off 450 pesos or 5.9 per cent.

Canada

THE Toronto market mirrored the Wall Street weakness, the TSE 300 composite index finishing down 39.1 at 3,368.2 as declines outpaced advances by 347 to 221 after substantial volume of 30.2m shares valued at C$361.7m.

Traders noted that the selling was broad-based, touching every sector except the real estate and construction index.

Bramalea was a bright exception, rising 15 cents to C$1.20 in spite of reporting a first-half loss of 22 cents per share, compared with a profit of 2 cents for the same period last year. The diversified real estate company also halted payments on its common dividends.

Casualties and rewards on eastern tack

Emerging markets divided along geographical lines last month, writes Antonia Sharpe

Casualties among the emerging markets in May were to be found in South and East Asia and in the eastern Mediterranean, while Latin America as a region held steady. The biggest falls came in India and Turkey, two long-term sufferers, although the Philippines produced the biggest gain on the month, reaching record levels following the largely peaceful presidential election.

Mr Michael Paterson, a director of Asia Equity, believes that Philippine equities are due for a period of consolidation after the recent rally, but that their long-term prospects are favourable. "The market is poised to go higher," he says.

There is considerable excitement in the oil sector following the recent discovery by Royal Dutch and Occidental in the Malampaya oilfield. The discovery is expected to make a considerable contribution to the country's energy requirements. First Philippine Holdings is expected to buy into the Royal Dutch/Occidental joint venture.

Increased political confidence following the victory of Mr Fidel Ramos in the presidential race, as well as an improving economic performance – merchandise imports, a leading economic indicator, jumped 52 per cent in the first quarter of this year compared with the year-ago period – should attract foreign investors back to the Philippines. News yesterday that the capital's two stock exchanges had agreed to merge is also seen as a positive move.

Political uncertainty, on the other hand, has upset the Athens stock market, which dropped 11 per cent in dollar terms last month. Having reached a 1992 peak of 1,009 in early February, the general index has since fallen to around 800 as individual investors, troubled by Yugoslavia's claim on Macedonia, switched into government bonds, which are tax free.

Mr Stuart Harley, part of the Greek team at Schroder Securities, says the ill-health of the president, Mr Constantine Karamanlis, is compounding the country's political unease. The government's narrow majority in parliament, which traditionally elects the country's president, is seen as a potential difficulty and could prompt a general election.

As a result, investors are ignoring the improving economic and corporate news, and the arrival of summer is likely to delay any recovery in the stock market until the third or fourth quarter.

Good first-quarter results have also gone largely unnoticed in Turkey, which has suffered from a heavy fall in the lira and the dashing of the government's unrealistically high expectations on inflation. The surprisingly good headline figure for April is unlikely to revive the market, since it was kept artificially low by the decision of state enterprises not to raise prices ahead of local elections.

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	Dollar terms: May 30 1992	Dollar terms: % Change over month	Dollar terms: % Change on Dec '91	Local currency terms: May 30 1992	Local currency terms: % Change over month	Local currency terms: % Change on Dec '91
Latin America							
Argentina	(29)	1,634.74	+6.9	+32.0	93,078,615	+6.8	+31.0
Brazil	(69)	153.26	-3.2	+46.1	133,609,587	+15.3	+281.8
Chile	(35)	2,010.63	+0.0	+30.4	5,339.15	+0.3	+20.9
Colombia	(20)	900.33	+8.0	+11.7	5,917.06	+7.0	+18.6
Mexico	(66)	1,771.18	+1.1	+22.2	28,460.34	+2.1	+22.9
Venezuela	(17)	534.10	-7.9	-21.0	4,531.09	-7.2	-16.2
East Asia							
South Korea	(91)	220.40	-10.9	-22.9	208.76	-10.4	-20.4
Philippines	*(30)*	*1,830.78*	*+10.2*	*+27.4*	2,362.60	+12.9	+24.2
Taiwan, China	(70)	605.83	+0.7	-3.8	377.97	-0.6	-7.1
South Asia							
India	(62)	360.79	-24.7	+31.1	819.36	-24.9	+43.6
Indonesia*	(63)	67.12	+8.2	+20.4	75.65	+8.7	+22.9
Malaysia	(62)	164.51	+0.5	+14.5	170.27	-0.2	+5.6
Pakistan	(58)	289.99	+3.7	-9.2	471.23	+3.9	-7.8
Thailand	(51)	316.81	-6.5	-0.1	297.24	-7.2	+1.8
Euro/Mid East							
Greece	(32)	363.68	-11.0	-12.2	544.54	-11.5	-3.6
Jordan	(27)	99.29	-3.4	+3.3	174.97	-5.0	+2.0
Portugal†	(30)	420.93	+1.1	-2.0	360.82	-3.0	-2.3
Turkey‡	(25)	40.50	-24.3	-52.4	363.89	-20.9	-35.5

*Source: International Finance Corporation. Base date: Dec 1984=100. *Dec 1989=100. †Jan 1986=100. ‡Dec 1986=100.*

ASIA PACIFIC

Nikkei drops to 5½-year low on arbitrage selling

Tokyo

ARBITRAGE selling drove equities down sharply and left the Nikkei average at a closing 5½-year low, *writes Emiko Terazono in Tokyo.*

The 225-issue index plunged 507.73 to 16,445.80, its lowest finish since November 1986. It opened at the day's high of 16,923.32 and reached the session's low of 16,444.70 near the close. Volume increased from 230m shares to 280m.

Buying by pension funds and investment trusts failed to absorb continued arbitrage selling. Declines overwhelmed advances by 908 to 83, with 105 issues unchanged. The Topix index of all first section stocks lost 30.60, or 2.3 per cent, to 1,276.61, while in London the ISE/Nikkei 50 index receded 5.37 to 992.08.

Negative sentiment spread as constant buying by public pension funds failed to counter selling by dealers and retail and institutional investors. Stricter disclosure on futures and options trading by the Osaka stock exchange also discouraged dealers.

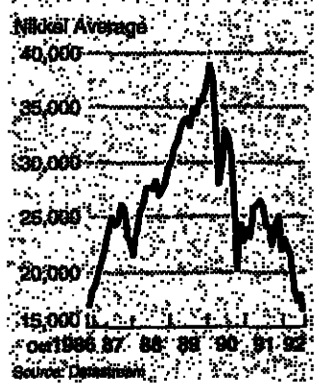
Indications by the Economic Planning Agency that it might be forced to revise downwards its 3.5 per cent growth target for the year to March 1993, in view of the continued sluggishness of the economy, also disrupted the market.

Rumours that Daikyo, a leading condominium maker, was in financial trouble, additionally depressed investors. Daikyo later denied the rumours.

Brokerages were heavily sold on reports of operational losses from April to June. A Japanese brokerage official said low volume and high costs, including summer bonus payments, have been hurting the firms. Nomura Securities weakened Y100 to Y1,300 and Daiwa Securities Y45 to Y810.

Steel, construction and real estate companies also fell on heavy selling. Traders said domestic institutions that bought the issues in 1988 and 1989 were liquidating holdings.

In Osaka, the OSE average shed 417.08 to 19,502.13 in volume of 20.1m shares.



Roundup

THE TOKYO market drop and Wall Street weakness dampened general sentiment in the Pacific Basin region yesterday.

The Manila and Makati stock markets announced that they were to merge. Mr Rosario Lopez, chairman of the Securities and Exchange Commission, said it might take six months to a year for the new market to begin operations.

HONG KONG gained 30 points in early trade before profit-taking drove the market back. The Hang Seng index closed just 7.09 up at 5,853.84. Turnover was HK$2.8bn.

Banks were generally higher, with Bank of East Asia ahead 50 cents at HK$32.50. In the property sector, Sun Hung Kai gained 50 cents to HK$32.50.

AUSTRALIA slid further for the market's sixth consecutive fall. The All Ordinaries index finished 8.3 lower at 1,631.1 in turnover of A$270m.

MANILA fell on profit-taking after the announcement that Mr Fidel Ramos had been confirmed as the new president. The composite index retreated 42.66 to 1,535.82 in combined turnover of 265m pesos.

BANGKOK gained ground in heavy volume. The SET index rose 6.55 to 756.29 in turnover of Bt10.34bn. Advances led declines by 141 to 77.

TAIWAN declined moderately in active trading and the weighted index relinquished 83.88 to 4,603.90 in turnover of T$38.6bn.

SINGAPORE had selected blue chips stronger as shipyard issues lost ground on profit-taking. The Straits Times *Industrial index eased 2.44 to* 1,517.44.

SEOUL's composite index lost 3.23 to 576.72 in turnover of Won326.5bn, while NEW ZEALAND slipped in spite of foreign interest in Carter Holt Harvey, which rose 5 cents to NZ$2.65. The NZSE-40 index shed 2.67 to 1,530.80.

BOMBAY's brokers continued to refrain from trading. Meanwhile in DHAKA, the all-share index jumped 9.96, or 3.2 per cent, to 322.7 ahead of today's budget for Bangladesh.

EUROPE

Philips sinks by 18% after profits warning

A PROFITS warning from Philips sent tremors through the Dutch market, *writes Our Markets Staff.*

AMSTERDAM was shocked by Philips's announcement that it was making a sharp reduction in its 1992 earnings forecasts. A wave of sell orders wiped over 20 per cent off the stock before a close Fl 6.90, or 18 per cent lower at Fl 31.10 in volume of 6m shares. The CBS Tendency index ended 1.4 lower at 127.4.

Analysts were taken aback, as many had attended a meeting with the electronics group last week during which the company made no hint that it was about to take this step, which it blamed on weakness in the consumer electronics division.

Yesterday most analysts cut their 1992 EPS forecasts from an average of Fl 3.50 to around Fl 2.70. However, some believe that the group will pay a dividend this year, estimated at between 50 and 75 cents. Polygram, in which Philips has an *80 per cent stake, shed Fl 1.10* to Fl 50.90.

MILAN recovered from a weak start to the new account on news that the socialist leader, Mr Bettino Craxi, had withdrawn his bid to become the next prime minister, paving the way for the formation of a government. The Comit index, which reached a 1992 low on Tuesday, rose 0.9 to 469.69 in turnover estimated at more than Tuesday's L104bn.

The Craxi news prompted short-covering and lifted shares which had already been officially fixed. Buying more than made up for the payment of dividends by 56 companies yesterday, which took more than 1 per cent off the index.

Stet, whose placement was oversubscribed, closed L102 down at L1,810 but rebounded to L1,859 later.

PARIS eased ahead of the Irish referendum on Maastricht and a further batch of negative company announcements made traders nervous. The CAC 40 index fell from a high of 1,915.64 to close 22.57 or 1.2 per cent lower at 1,908.84 in turnover of FFr2.45bn.

Suez dropped FFr11.80 to FFr302.20 after the company said it would have to make another FFr1.2bn in property provisions this year. Synthélabo dropped FFr127 or 11.1 per cent to FFr1,020 in heavy volume of 149,650 shares after the company said clinical tests on its anti-anxiety drug, Alpidem, had been halted. Its parent, L'Oréal, lost FFr21 to FFr869.

FRANKFURT moved tentatively into today's Corpus Christi holiday and Friday's options expiry. Turnover fell from DM4.1bn to DM3.8bn as the FAZ index fell 2.71 to 706.39 at midsession, and the DAX by 7.32 to 1,771.78 at the close.

Lufthansa, a perceived victim of the airfares war, fell DM6 to DM129, approaching its low for the year. AEG, down DM9 to DM198.50, might have been carried down by Philips.

Hoesch, DM11 lower at DM277, reflected a general downturn in steels on talk of another broker's downgrade for the sector. Preussag fell DM4.20 to DM417 and Thyssen lost DM2.60 to DM234.50.

ZURICH saw Swissair bearers fall SFr7 to SFr732 as the SMI index fell 8.2 to 1,873.1. After hours the airline said that it was cutting 400 jobs from its 6,000 administrative workforce.

BRUSSELS's Bel-20 index lost 12.41 or 1 per cent to 1,189.99. Barco, the electrical group, shed BFr48 to BFr1,312, reflecting the fall in Philips.

COPENHAGEN saw Baltica *Holding drop* DKr77 to DKr460 after Hafnia Holding, which owns 33.5 per cent of Baltica, said its equity capital was down to DKr400m, *Hilary Barnes writes.* The all-share index fell 3.89 to 319.02.

Hafnia Holding B fell DKr9 to DKr102. Banks were also hit, with Danske Bank declining by DKr5 to DKr271 and Unibank by DKr7 to DKr159.

STOCKHOLM's Affärsvärlden General index ended 6.8 lower at 943.3. The insurer, Trygg-Hansa saw its B shares down SKr4 to SKr53, having insured the loan portfolio of the banking group, Gota, in which it is a major shareholder. Gota A, however, rose SKr1.50 to SKr17.50.

OSLO registered its 12th consecutive decline, the all-share index falling 4.83 to 423.79.

FT-SE Eurotrack 100 - Jun 17

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1158.75	1158.17	1159.36	1160.43	1159.46	1159.20	1158.90	1158.46

Day's High 1160.77 Day's Low 1158.12

Jun 16	Jun 15	Jun 12	Jun 11	Jun 10
1165.38	1159.75	1167.48	1162.52	1174.58

Base value 1000 (26/10/90).

SOUTH AFRICA

JOHANNESBURG ended mixed to softer. The overall index closed 7 down at 3,700 and the industrial index was off 3 at 4,545. The gold index rose 4 to 1,152. Remgro rose 40 cents to R26.75 while Barlow Rand was heavily traded.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	WEDNESDAY JUNE 17 1992: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JUNE 16 1992: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1992 High	1992 Low	Year ago (approx)
Australia (69)	146.61	−0.5	117.27	117.74	120.28	129.40	−0.6	4.22	147.32	117.43	117.99	120.02	130.12	153.68	140.94	140.09
Austria (19)	171.61	−1.4	137.26	137.82	140.79	140.50	−1.3	2.09	174.04	138.73	139.39	141.79	142.33	186.70	162.48	187.83
Belgium (46)	142.56	−0.8	114.05	114.50	116.97	114.10	−0.5	5.35	143.75	114.58	115.12	117.11	114.68	146.19	135.87	127.41
Canada (115)	125.61	−1.3	100.48	100.88	103.05	108.79	−1.4	3.39	127.33	101.50	101.97	103.79	110.32	142.12	125.60	141.07
Denmark (35)	231.91	−1.9	185.50	186.25	190.26	191.30	−1.5	1.92	236.47	188.49	189.39	192.65	194.18	273.94	226.81	240.64
Finland (15)	77.00	−1.6	61.59	61.85	63.18	69.39	−1.4	2.03	78.23	62.35	62.65	63.73	70.37	89.80	73.64	102.67
France (104)	159.51	−1.9	127.59	128.09	130.85	133.05	−1.1	3.53	162.55	129.56	130.17	132.41	134.56	168.75	148.06	128.91
Germany (65)	124.07	−1.0	99.24	99.65	101.78	101.78	−0.3	2.27	125.37	99.93	100.42	102.13	102.13	126.37	114.67	109.61
Hong Kong (55)	246.81	+0.0	197.42	198.21	202.49	245.01	+0.0	3.34	246.80	196.72	197.66	201.07	244.99	254.87	178.36	151.64
Ireland (16)	160.31	+0.3	128.23	128.74	131.51	133.11	+0.6	4.08	159.90	127.46	128.06	130.27	132.26	173.71	151.78	146.12
Italy (78)	69.51	−0.1	55.60	55.82	57.02	61.98	+0.5	3.37	69.59	55.47	55.73	56.69	61.66	80.86	68.39	77.64
Japan (473)	98.29	−2.7	78.62	78.93	80.64	78.93	−2.5	1.08	101.05	80.55	80.93	82.34	80.93	140.95	88.70	129.02
Malaysia (69)	241.48	−0.1	193.15	193.92	198.10	234.13	−0.1	2.67	241.64	192.61	193.52	196.86	234.48	250.18	212.49	237.13
Mexico (18)	1488.64	−2.5	1190.74	1195.53	1221.28	5080.55	−2.4	1.13	1527.05	1217.20	1223.00	1244.06	5207.47	1789.77	1376.91	1009.94
Netherland (25)	162.08	−1.9	129.65	130.17	132.97	131.42	−1.3	4.27	165.22	131.70	132.32	134.60	133.13	165.22	147.88	134.68
New Zealand (14)	46.34	+0.1	37.06	37.22	38.02	45.37	+0.1	4.99	46.29	36.90	37.08	37.71	45.32	46.52	42.01	46.49
Norway (23)	*179.39*	−1.7	*143.49*	*144.07*	147.17	149.93	−1.2	1.69	182.42	145.40	146.10	148.61	151.78	192.95	161.26	191.70
Singapore (38)	228.08	+0.0	182.44	183.17	187.11	170.59	−0.1	1.95	228.17	181.87	182.74	185.88	170.81	229.63	192.76	197.71
South Africa (61)	237.10	+1.4	189.66	190.42	194.52	186.77	−0.1	2.76	233.82	186.38	187.26	190.48	186.87	263.60	203.16	228.16
Spain (50)	154.17	−0.6	123.32	123.82	126.48	115.74	−0.4	5.26	155.11	123.64	124.23	126.36	116.16	161.72	146.86	148.29
Sweden (27)	193.30	−1.9	154.61	155.24	158.58	162.75	−1.3	2.73	197.08	157.09	157.84	160.56	164.91	200.28	173.09	189.33
Switzerland (63)	108.01	−1.3	86.39	86.75	88.62	95.05	−0.5	2.25	109.43	87.22	87.64	89.16	95.48	109.43	95.99	90.78
United Kingdom (227)	193.14	−1.0	154.49	155.10	158.44	154.49	−0.7	4.82	195.12	155.53	156.25	158.94	155.53	200.07	165.85	162.32
USA (522)	163.89	−1.4	131.09	131.63	134.46	163.89	−1.4	3.05	166.25	132.52	133.16	135.45	166.25	171.66	160.92	151.80
Europe (793)	153.00	−1.2	122.39	122.88	125.53	124.64	−0.8	3.92	154.80	123.39	123.98	126.12	125.45	156.88	139.31	133.12
Nordic (100)	177.11	−1.9	141.67	142.24	145.31	142.54	−1.4	2.28	180.52	143.89	144.58	147.07	144.52	188.52	169.66	181.38
Pacific Basin (718)	105.01	−2.4	84.00	84.34	86.15	85.41	−2.1	1.45	107.54	85.72	86.13	87.61	87.27	141.97	94.40	129.98
Euro – Pacific (1511)	124.41	−1.8	99.52	99.91	102.06	101.60	−1.4	2.67	126.66	100.96	101.43	103.18	103.05	145.21	113.80	131.55
North America (637)	161.46	−1.4	129.17	129.70	132.50	160.14	−1.4	3.06	163.81	130.57	131.21	133.47	162.45	169.69	158.70	151.05
Europe Ex. UK (566)	129.04	−1.3	103.22	103.65	105.89	107.38	−0.8	3.25	130.70	104.18	104.70	106.50	108.07	131.77	121.81	115.19
Pacific Ex. Japan (245)	171.12	−0.2	136.88	137.45	140.40	152.28	−0.2	3.52	171.42	136.64	137.31	139.67	152.62	175.31	149.00	139.26
World Ex. US (1705)	126.56	−1.7	101.24	101.65	103.84	103.98	−1.4	2.68	128.75	102.63	103.12	104.89	105.45	146.91	116.45	133.37
World Ex. UK (2000)	133.02	−1.7	106.40	106.84	109.14	119.19	−1.5	2.56	135.27	107.82	108.35	110.22	121.00	150.58	127.21	136.30
World Ex. So. Af. (2166)	137.54	−1.6	110.02	110.47	112.85	121.90	−1.4	2.83	139.82	111.45	111.99	113.92	123.65	153.05	130.04	138.01
World Ex. Japan (1754)	160.50	−1.2	128.38	128.91	131.70	147.56	−1.1	3.38	162.49	129.51	130.14	132.39	149.14	165.40	153.20	144.97
The World Index (2227)	138.20	−1.6	110.54	110.99	113.38	122.48	−1.4	2.82	140.43	111.93	112.47	114.41	124.22	153.70	130.66	138.59

FINANCIAL TIMES SURVEY

TELECOMMUNICATIONS IN BUSINESS

SECTION III

Thursday June 18 1992

Above; BT's new desk-top video-conferencing units allow small groups to meet and send pictures and videos, using document readers and auxiliary cameras: see details on page 5. Pictured left is a construction engineer using a Philips Telecom portable phone; and, right, office staff using an Orbitel cellular phone on the new pan-European GSM digital network — see page 8

The industry's jargon is explained by **Hugo Dixon** for perplexed customers of the latest equipment

A guide through the maze of technology

TODAY'S business telecommunications user may sometimes feel in need of a guide for the perplexed. Such is the variety of services now available in the marketplace.

The first reason for confusion is that users can become drowned in techno-babble. Services tend to have acronyms which, even when spelt out, leave customers none the wiser.

For example, ISDN stands for Integrated Services Digital Network, and MAN stands for Metropolitan Area Network. But such translations on their own would hardly enlighten the uninitiated. Meanwhile, expressions such as the fashionable "outsourcing" have different meanings for different people.

A second reason for customer confusion is that, although the state of technology is similar throughout all the world's developed economies, the availability of services is far from uniform. This is to a large extent the result of restrictive regulations which protect monopoly telephone companies in many countries.

A third reason for confusion is that telephone companies have not traditionally been good at marketing their services, though this is now changing.

Often services have failed to make a breakthrough because of inadequate marketing. For example, free-phone services – which have been a great success in the US – have so far made comparatively little impact in Europe because their benefits have not been sold to customers.

At other times, the telecommunications industry has pushed services which are strong on technology but do not address customer-needs. ISDN, which allows customers to speak and send pictures or data simultaneously down a telephone line, is a case in point. Now, after 10 years of hype by the phone companies, services are only just beginning to take off.

Nevertheless, users have an incentive to cut through the jungle of confusion because of the large productivity benefits new telecommunications services can offer.

Communicating with customers, suppliers or colleagues is at the heart of modern business. New services can increase efficiency in two main ways: first, by increasing the number of contacts people can make, so speeding up every aspect of business from design through production to retailing; second, by improving quality so that communication is more accurate.

It is possible to classify new telecommunications services under four main headings.

☐ First, services which make it easier to track down people.

Traditionally, telephones have not been an effective means of making contact with people. The person wanted may be engaged, not at his desk or there may be nobody to take a message.

ONE solution to this problem is mobile communications. In the developed economies, cellular systems, the main established form of mobile communications, are being converted to digital technology which will provide clearer communication.

At the same time, new forms of mobile communications are being introduced. For example, over the next year the UK will see the introduction of personal communications networks which eventually promise to use smaller handsets than traditional cell phones at a lower price.

Another solution to the problem of not making contact is messaging. Phone companies are increasingly offering their customers voice mail, the equivalent of an answerphone in the heart of the network. Such services can also be installed on a company's switchboard.

Alternatively, calls can be forwarded to a different telephone number when a person moves location. A variation on the idea is personal numbers which forward calls destined for particular individuals but not those destined for particular locations. The first such personal numbers were launched in the US earlier this year by American Telephone and Telegraph.

☐ A second group of new services provides businesses with alternatives to the traditional arrangement of charging calls to the line where they originate.

The most popular, free-phone services, involves the receiver of the call paying the bill. These services have been such a success in the US that they have changed the nature of the retailing industry. Many companies have discovered that they can dispense with shops and use "800" numbers instead to encourage customers to buy their goods.

At the other extreme, premium rate services charge callers more than the normal rate, which is then shared between a service provider and the phone company. Such services have proved a useful way for companies to get paid for providing entertainment and information over the phone.

Another alternative billing arrangement is the telephone card, which allows people to charge calls to their companies' accounts irrespective of where they make calls.

☐ A third group of new services relies on the fact that it is now possible to pump more information down a telephone line than in the past.

Traditional analogue lines are adequate for ordinary conversation, although even then

Continued on page 2

IN THIS SURVEY

Editorial production: Michael Wiltshire

FIRST IMPRESSIONS

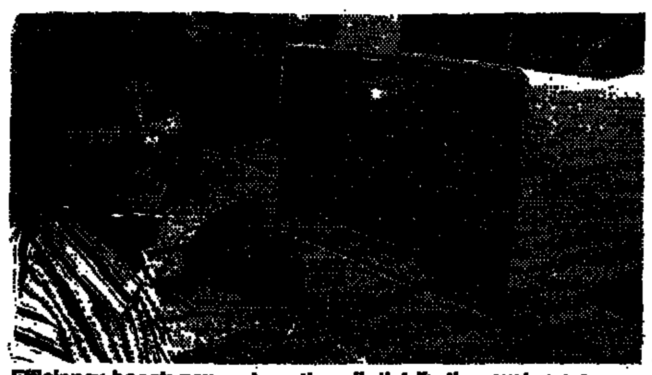
Badly handled calls cost sales, money and customers

Many company switchboards have a built-in frustration factor; but new technology is helping to ease the problem of misrouted calls, says **Paul Abrahams**

EXASPERATION understates your feelings. Attempting to 'phone the marketing department, you reach the wrong site and are then passed to the right site, but the wrong department. As the operator struggles to find someone – anyone – to answer, the obligatory Vivaldi "Four Seasons" begins to play, vainly suggesting an element of urgency.

Eventually you are put through. There is no reply. Each time the operator checks you are still on the line, she is so quick you have no chance to ask to leave a message. Your last quarter's telephone bill was horrific – it's not too difficult to work out why. The only possible compensation is that you'll save money by never buying anything from the sales department – if you ever reach it.

Such experiences are commonplace, but no less frustrating for that. For this article, it took four days of left messages and increasingly urgent appeals to public relations officers to reach any executive at GPT-Siemans competent to talk on the subject. At one stage it took ten minutes of shuffling through one organisation to discover all its press officers were out to lunch.



Efficiency boost: new automatic call distribution systems are making life easier for switchboard operators

The problem is no joke. Missed and badly handled calls generate more than ill-will. They can cost sales, money and customers.

But technology may be riding to the rescue. The cavalry is in the shape of three letters – ACD, more easily understood in this acronym-ridden industry as automatic call distribution.

ACD is designed to allow callers to reach a person rather than an engaged or non-answering line. A sophisticated software system monitors incoming calls and directs them to the personnel, known in the trade as "agents", who have been free the longest.

Simultaneously, a real-time information system provides data to managers about how calls are stacking up and how individual agents are performing.

Mr Nick Doughty, marketing manager of business systems group at GPT of the UK, one of the leading manufacturers of ACD equipment, explains how the system can monitor the average time taken to respond and the number of people abandoning their calls through frustration. Some companies have been able to cut the number of abandoned calls by as much as 30 per cent, he says.

About 6,000 ACD systems are installed world-wide, according to Mr Richard Reid, managing director in the UK of private switching for the European subsidiary of Northern Telecom, the Canadian telecoms manufacturer. Users include banks, airlines, insurance companies, credit card companies, and mail order houses.

Telephone operators' efficiency can be increased by up to 30 per cent using ACD systems, claims Philips Business Systems (see page 9: Lost calls mean lost business).

In Britain, BT, the UK telecommunications group, has installed 47 Meridian systems supplied by Northern Telecom. The group has also installed 5,000 ACD telephones as part of its customer first programme. The aim is to answer 90 per cent of all customer service calls and sales enquiries within 15 seconds.

Mr John Turner, head of planning for the programme, explains BT will now be able to offer fault reporting 24 hours a day, 365 days a year. The system will work on a regional basis, allowing agents to pick up calls from outside their local area. Each agent has a regional database allowing them to access the relevant data on each caller.

Other users include British Airways which according to Mr Doughty has installed a system in four or five of its airports, linking some 300 agents together. When one airport is over-loaded by calls they can be transferred to the other sites. In the US, large organisations had even redirected inquiries to different time zones, and even different countries.

In New York, one bank uses ACD to deal with loan inquiries. Once customers have been interviewed for the loan they can call back, enter a code through a touch-tone telephone and then hear the result of their request. The bank filters out the vast majority of customers who are given a positive response and can then deal more effectively with the minority of those refused.

About half of ACD systems are sold integrated with voice-messaging, says Mr Reid at Northern Telecom. The most recent technology records not only the message, but also the number of the caller. The system will then call back automatically when required. Messages can be subsequently annotated and redirected within the organisation for action, or even broadcast to everyone else's electronic voice-box.

The market for ACD is dominated by Ericsson, the Swedish group, AT&T of the US, Siemens of Germany, GPT in the UK and Northern Telecom. The UK market is worth only £50m a year, according to Mr Doughty, but it is growing at about 10 per cent a year.

Meanwhile, the technological prospects for ACD will be enhanced by the introduction of integrated services digital network, ISDN (see page 10: Milestone for integrated services). Once in place, ISDN will allow companies to use computers to identify the telephone number calling in, interrogate a database, and bring up the caller's name and his relevant information on to a screen in front of the agent. The agent could pick up the telephone and respond with the caller's name before he, or she, has even spoken.

That sounds rather better than being lost in the usual telephone system paying for the privilege of listening to an undistinguished recording of Vivaldi.

☐ *Order handling: how to speed up inquiries: see page 4.*

☐ *Freephone services: page 6.*

☐ *How to make the right connections: new answering machines: see page 7.*

Better business services

Continued from page 1

the quality of the sound is fairly poor. But they are not good enough to transmit moving pictures or large amounts of data.

For some time, telephone companies have catered for businesses needing high-speed communication by providing private circuits.

The carriers are now providing high-speed facilities on their public networks. This is the main feature of ISDN, which converts an ordinary analogue line into two high-speed data channels (see page ten). These can then be used for applications such as high-speed facsimile, video telephones and desk-top video conferencing.

Other services cater for businesses needing even faster data links. For example, metropolitan area networks (MANs) allow computer networks in different parts of the same city to communicate as though they were part of a single computer network. MANs are already available in cities such as Munich and Amsterdam and, according to Mr Stefan Zehle, a project director for Frost & Sullivan, the market researchers, such services will grow very fast in coming years.

☐ The fourth group of new services can be loosely described as "outsourcing". This involves a company contracting out part or all of the running of its telecommunications network.

The main idea is that telecommunications has become so complex that most organisations do not want the hassle of employing the specialist staff needed to run their own systems.

The term "outsourcing" covers a wide range of services, from the fairly basic to the all-singing, all-dancing variety.

At the simpler end is centrex, which involves a company contracting out the running of its switchboard to the local telephone company.

Slightly more complicated are "virtual private networks". These give organisations the impression that they are using their own private networks to communicate between branches while in fact calls are routed over the telephone company's public network.

There are also many types of public data network, alternatives to companies running their own private data networks. Such "managed data networks" started as domestic services but have increasingly developed a global reach.

At the top end of the outsourcing category, carriers are positioning themselves to provide multinational companies with comprehensive telecommunications services across the globe, (see page 11). BT, the UK group, has been the most aggressive company in this market through its Syncordia subsidiary, based in Atlanta, Georgia.

The essential idea is that a multinational deals with only one carrier – instead of one for every country – receives a single bill and gets 24-hour multilingual support to deal with problems.

Such top-end services are expensive. But, for customers perplexed by the myriad of offerings in the market, they are the ultimate solution.

TELEMARKETING

Area with high potential

AT least 50 per cent of all businesses already use the telephone as part of their marketing activities in a planned and controlled manner, according to the British Direct Marketing Association.

Mostly it is used to take orders, handle customer inquiries or make appointments. The trend, however, is to extend the use of the telephone in marketing to such new areas as establishing new business or managing relationships with existing customers.

Telemarketing has several advantages over traditional marketing methods. Its proponents say that it allows most companies to significantly increase customer contact, lower unit-cost of sales, reduce the number of salesmen and cars on the road, and add new dimensions of flexibility in relationships with customers.

But most important, they say, telemarketing can allow organisations to offer a significantly better level of service to their customers.

Recent technological advances in telephone call-handling such as automatic call distribution – where rather than hearing an engaged tone when the call handlers are all occupied, callers are placed in a queue (see article above) – and computer integrated telephony (CIT) – where computer databases are linked to the incoming call, allowing call handlers to quickly access information about the customer such as payment records, product preferences or credit rating – are allowing companies to give a much higher level of service, increasingly the most significant criterion by which customers choose their suppliers.

Another contributing factor for the increasing use of the telephone in marketing is the lower cost of phone calls in real terms. New services such as 0800 automated freephone numbers have also increased the use of the phone for placing orders, (see page 6: freephone services herald intelligent network era).

According to Mr Richard Dorgan, the product manager responsible for Mercury's newly-launched FreeCall and LocalCall freephone services, some £150m worth of calls a year are made via Britain's freephone numbers – "we expect this figure to double over the next five years as organisations increasingly use the service to help maintain established customer-bases and to attract new business."

Customers, too, are increasingly attracted by companies which use the phone as their main point of contact – as witnessed by the rise in popularity of those offering their services by phone such as home banking, motor insurance and travel agents.

Younger people are particularly attracted to buying by phone, according to Mr Simon Roncoroni, partner in Leiderman and Roncoroni, a London-based telemarketing consultancy – "younger people are much more used to using the phone," says Mr Roncoroni, "and these young people are the customers of today."

MANY businesses that now operate out of retail outlets or on a face-to-face basis will move towards the telephone to handle customers, says Elisabeth Gluck, chairman of Programmes UK, a leading telemarketing agency.

Most banks, also, are looking at home banking as a way of extending their services and opening hours.

One of the pioneers has been the Midland Bank with its First Direct subsidiary. Launched over three years ago, First Direct says it is now Britain's fastest-growing bank with 10,000 new customers joining every month. Every day, it says, it receives up to 10,000 calls, with nearly 50 per cent of calls occurring outside banking hours.

"There's no longer any doubt that the market for direct banking in the UK will be substantial," says Mr Kevin Newman, First Direct's chief executive. "Our research indicates a potential market of up to six million people by the end of the decade."

Business-to-business sales are also increasingly achieved by phone. Even big purchases, such as computers, are being sold in this way and stationery and consumables have been sold in this way for many years. But just picking up the phone is no guarantee for sales success – "companies put a lot of budget towards technology but not in developing communications skills," observes Elisabeth Gluck. Good communications skills, however, can significantly improve productivity, she says.

Many in the industry fear what the European Community may soon have to say on the issue of telemarketing and "cold calling." The EC's directive on data protection will attempt to standardise the free flow of data across Europe. How this data is gathered and subsequently used is now up for discussion.

Maria Madison

CREDIT-CHECKING SERVICES

Information at your fingertips

Ian Gregory examines on-line information services for credit controllers, marketing executives and business analysts

THIS MORNING postmen will be delivering around 13,000 summonses, 6,500 county court judgements and 150 bankruptcy orders to Britain's debtors – both corporate and individual.

The anxiety caused by this "paupers' progress" is not only felt by the insolvent themselves. It also causes considerable grief to credit-controllers as each debt represents a costly failure in terms of administrative expense, as well as the impact of the debt itself.

A perfect system for credit control will never exist, but on-line systems are proving superior to relying on hunches or even in-house analysis, when assessing potential clients.

"Apart from making for quicker decisions when a salesman has found a new customer, it also saves the need for in-house expertise in analysing accounts," comments Guy Glover, finance manager for British Steel £350m-a-year welded tubes business.

The established credit vetting agencies like CCN, Dun & Bradstreet and Infocheck have provided on-line access to their databases for several years. These give details of corporate accounts, county court judgements and – most importantly – their credit view on hundreds of thousands of British companies.

International databases are accessible through services such as Infocheck's Global Scan which provides instant access to information on most European Countries as well as South Africa and Canada.

"The appealing thing about Global Scan is that you can see through the index which countries a company like Colgate, for example, has a presence in – so you don't waste your time looking in overseas databases in countries where it does not exist," says Mercury's Guy Robinson.

Furthermore, if clients need information on, say, a German company, "they used to have to hunt around for a week for it. Now they have access to that and other information from one source," says Simon Underwood of Global Scan.

"Our custom service also provides information on any private or public company in any country in the world within, at most, three weeks."

On-line "libraries" of business databases are now being built up by companies including BT and Mercury – "this is one-stop shopping for information. You don't have to have separate subscriptions to each database and our help-desk acts as an honest broker as to which is the best service for your needs," says David Rosenbaum, of BT Tymnet, which provides access through both Telecom Gold and Prestel.

Such services certainly cut down on bad debt. The Charity Christmas Card Council's use of the CCN database through Prestel has helped keep its bad debt total down to £2,000 out of a £2m turnover. Where potential customer's credit references may be dubious, it insists on payment in advance and last autumn found that six of these businesses failed to send in a cheque.

"One of these was a firm which CCN showed had four county court judgements against it during the previous 12 months," says 4C's Neville Bass. "Lo and behold, two weeks later they appeared in the Gazette after going bust."

The growing range of on-line "libraries" of business information is proving superior to relying on hunches or even in-house analysis

With on-line credit-checking services, the main drawback for some users is the cost which, with BT, is £3.15 a minute – "there are simply too many pages on each report which you have to wade through before you get to what you really need which are the county court judgements and the credit view," comments Mr Bass, who finds that the average search takes around four minutes.

"You start to wonder whether they put in a lot of guff just to keep you on-line. It's like the long announcements on the 0898 numbers seem to be designed to clock up the bill. And about quarter of the time there's no credit view – just a message saying: 'Sorry, these accounts are being updated.'"

BT is aware that time-based pricing is proving unpopular, particularly among less-experienced users – "we are already beginning to introduce 'per report' pricing and intend to phase in this method for all our high-value services," explains David Rosenbaum.

Direct access to particular databases will, however, continue to be cheaper for those using over a few hundred reports a year because of the bulk discounts which are offered by the databases.

"For high-number, low-value orders, Infocheck is delightful because it is simple and straightforward.

"All the other databases can be a sledge-hammer to crack a nut," comments British Steel's Guy Glover. "On ICC and CCN, the information is a great deal more sophisticated and useful but the cost of getting in is fairly high."

His division has bought "unlimited access" to Infocheck but he also uses both BT's Prestel and Telecom Gold as an additional executive tool – "they offer services galore and are instantly available. For example, this morning I went into FT Profile to see what the papers were saying about a possible merger which we're interested in."

A communications package enables him to dial into Prestel and take "snapshots" of certain pages which are then saved on to his disk.

"It takes less than two minutes on-line and then, if any ofthe information is interesting, such as company news or foreign exchange rates, I can dial-in for more details."

Dun & Bradstreet, a market leader in credit-rating is generally only on-line to direct customers, although it is in negotiations with BT and Mercury.

"I have a greater 'hit rate' when looking for a particular company when I'm using Dun & Bradstreet," says one finance director, "because it includes trade names and not just formal company names. But the expense of the service has often meant that, having found the company, I then switch to a cheaper service to do the credit check."

In reaction to such criticism, Dun & Bradstreet's Philip Mellor says that, over the past few weeks, the company has introduced "the facility to select items from an individual report rather than take the whole report."

He claims that "no other database also has such a comprehensive payment analysis system as ours which shows the delay in payment over the past 18 months for companies in comparison with their industry sector."

In London, Nicholas Thompson uses Global Scan to check credit reports at Hoskyns, the computer services company. He has access to 20 on-line databases from three sources – Data Star, Pergamon and BT. Picture by Tony Andrews

Rival databases emphasise different strengths – Infocheck's Ray Ruffles says "our direct customers also get access to our instant on-line credit insurance service, as well as free usage of our added-value services, including company news and monitoring."

Mercury admits that its credit checking library is "still in its infancy," but it does seem well-placed to take advantage of the growth in the market. Last year it secured a contract with Companies House to be the sole on-line outlet for its database.

"It has become a magnet for all the other business information databases as they want to appear on the same menu as Companies House," says Mercury's Guy Robinson.

Mercury has also signed a letter of intent for a five-year contract with the British Chambers of Commerce for its Chambernet database which should be on-line in November.

This DTI-sponsored project aims to enable users to produce lists of information such as which companies produce a given product, which companies import or export from a specified country as well as lists of company officials such as IT directors.

Mercury has also been invited to join an EC-funded consortium to produce a pilot scheme for a European business register.

Although Mercury's vision of a system providing pan-European credit-checking and marketing information is alluring, the obstacles to its realisation range from the incompatibility of European accounting standards to the difficulties of translating the Greek alphabet.

Meanwhile, the key decision for financial controllers is to find which one or more databases offer the information they require – and the cheapest form of accessing it. Otherwise the credit checking bill might be greater than the savings in bad debts.

ORDER-HANDLING

How to speed up inquiries

ORGANISATIONS with large volumes of telephone calls for telesales, repair and service enquiries have the apparently conflicting object of blending fast, efficient call-throughput with impressive, personal attention to the caller. This is the compound target of call-centre systems.

There are three computer-based functions within the umbrella call-centre title: automatic call-distribution; voice processing and computer-supported telephony. Once distinct, the integration process is now well advanced.

Automatic call-distribution, ACD, manages call-input so that every caller is answered as quickly as possible and call-handling efficiency is kept at peak. Voice processing, VP, deals with callers using automatic voice systems, rather than human call-handlers. Computer supported telephony, CST, is the automatic screening for the call-handler of database information about the caller. Both ACD and CST also have outgoing call handling roles.

ACD queues incoming callers before answering them. The first-come-first-served principle may be varied by such programmed influences as priorities given to callers using certain telephone numbers and call handlers' specialisations in given subjects or products.

Calls are allocated to call-handlers to give an even work flow unless the system is programmed to release certain handlers when possible and bring them back when required. Such reconfiguration may be by supervisor command or automatic as call traffic levels fluctuate, or both, and may involve co-ordinating several sites on a network.

The ACD function may be on dedicated hardware or may be optional software in the PBX. Either way, it should provide supervisors with full management information both in real time and as statistical trends.

Special Telephone Systems' Supercall series contains both dedicated ACD systems and ACD/PBX hybrids based on their SDX switch and with computer-supported telephony links. The company suggests that in most cases the hybrid answer will suit smaller installations of less than 50 call-handlers.

Combining speedy and *efficient handling of* large volumes of calls with personal attention to callers is not easy

Hybrids include Northern Telecom's Meridian ACD addition to its PBX range of the same name, Mitel's Supervision system for its SX 2000 range and DTS International's ACD 25 package call-handlers.

Voice processing may precede the ACD function if callers are simply to be asked their account number, phone number and type of enquiry to route them correctly – although good ACD integration will queue them, putting them to the VP only when they will be forwarded to the relevant call handler without further delay. Linked to a host computer, VP may complete the call where enquirers simply need recorded, mailed or faxed information.

Computer-supported telephony, CST, starts with some identification of the caller – such as an up-front VP system would provide – and obtain information about that caller from a host database.

BT describes four roles for CST:

☐ Capturing dialled-number information service data from the incoming call and matching with product or service information from the host computer (where each product or service has its own number).

☐ Transfer of a call, together with data pertinent to the call, to others without the need for the caller to repeat information or questions.

☐ Proactive generation by the host computer of outgoing calls along with presentation of data on the reason for those calls.

☐ Matching CLI (calling-line identification) where available, to the host for customer information to be presented to the call handler with the call.

One CST-user is Hong Kong Bank. Harris Telecom Systems linked to an IBM mainframe use a recorded announcement to ask callers for their PIN number with which the system locates their customer file. The customer is also asked the required service so that the agent given the call has the customer's name and the nature of the enquiry and has the information on screen to deal with both.

Norweb take this one step further. Their Aspect Telecommunications system has links to sales representatives' electronic diaries. Call-handlers make appointments directly and provide sales staff with the information they will need when they arrive.

Butlins' reservation centres illustrate the outgoing calls role. After seven days, an Aspect system automatically calls back people who made unconfirmed provisional reservations, allocating the call to a call handler along with a scripted screen to confirm the sale.

To obtain data from – and eventually update it back into – a database, CST requires a fast interface. Industry standard interfaces are well supported by vendors – X25, 327OSNA (for IBM, LAPB (typically Digital and Hewlett Packard) and so on. Further, the European Computer Manufacturers' Association is working with other bodies influential on standards issues on sets of CST messages.

The next development awaited eagerly by call centre systems purveyors is Caller Line Identification, CLI, by which the public telephone service tells the PBX or telephone the number of the person calling it. The CST system, therefore, can obtain database information on callers still in the queue and can identify, for later callback, any who ring off before getting through.

Geoffrey Tyler

Virtual private networks start to make an impression in Europe

Hybrid service now set for rapid growth

BARCLAYS BANK has a private telephone network for 250 of its offices and branches in the UK. The network is made up of private circuits that are leased from BT and Mercury Communications, and switches that it has bought directly from manufacturers to route calls between its sites.

But having built and refined the network over a number of years, Barclays is about to dismantle it and go back to using a service provided and managed by BT.

The UK bank is a guinea-pig for for a new service called FeatureNet. This is BT's name for what have become known as virtual private network (VPN) services.

VPNs were first offered to large corporate telecommunications users in the US in the mid-1980s, but are only now starting to make an impression in Europe.

Virtual private networks are a cross between private networks and the public switched telephone network. A private network is a closed network, and the telephone lines that make up the network only carry the calls generated by the owner of the network. The public switched telephone network carries all the telephone traffic that is not on private networks.

Barclays Bank will save millions of pounds a year by using VPNs

VPN services offer reserved private capacity on the public switched telephone network through the use of sophisticated switches. Each user effectively has its own private network, but the network is defined by the software in the system rather than by the physical location of the plant.

The switches enable the VPN customer to access a range of advanced services that are not available to people using the public switched telephone network.

Ovum, the London-based telecommunications consultancy, forecasts that by 1997, VPN services will account for eight per cent of the revenues of European telephone operators derived from national services, and 17 per cent of the revenues of US operators.

The impact of virtual private networks will be even greater for international services. Ovum predicts that by 1997, 21 per cent of the international revenues of the world's largest telephone operators will be accounted for by international VPN.

Cost-savings are the main incentive for companies to start using VPN services. In the US, there were price wars between the long-distance operators in 1988 and 1989 which led to a rapid take up of VPN services.

Today, most of the top 1,000 companies use VPN services, but as a complement rather than as an alternative to private networks.

Cable and Wireless offers big businessness a comprehensive telecoms services with products such as its "global virtual private networks." Multinational users include Esso, Rockwell International and Grand Metropolitan.

In Europe, where virtual private network services are only now starting to become available, Ovum analysts have found that large users expect to receive discounts that will enable them to make reductions of between 15 per cent and 20 per cent in their total telecommunications bills.

Barclays says that the switch to the VPN service will lead to savings of millions of pounds a year in lower call costs, plus a one-off saving this year of £5 million from not having to renew its telecommunications equipment. Lower tariffs are not the only way in which VPN services can bring about cost savings. The fact that the network is built and managed by BT means that companies no longer need to keep a full-time group of professionals to maintain the network.

BT says that this will free the professionals to "tackle more important issues of planning resources and develop new ways of improving business performance."

In reality, it is more likely to lead to a number of staff being made redundant. Cost savings are not, however, the only benefits of VPNs over private networks. For a number of users, one of the key benefits of VPN services is the fact that they can be extended to outlying sites which are too expensive to serve via a company's private network.

Barclays, for example, intends to extend its VPN to 1,400 sites by spring 1993. Its private network only covers 250 sites and the rest have to rely on the public switched telephone network.

VPN can also provide more flexibility than a private network. Many companies which lease private circuits use them to their maximum capacity only at certain times of the year.

In the US, most of the top 1,000 companies now use VPN services

In the retail sector, for example, there is higher capacity utilisation before Christmas and at sale times than at other times of the year.

With a VPN service, companies can mould their capacity around these seasonal variations and avoid paying for capacity that they do not require.

Mark Newman

ELECTRONIC MAIL

Brighter prospects

ELECTRONIC mail has had a rough press over the years. It arrived in Europe in the early 1980s, to the mildest of fanfares, only to be overshadowed almost immediately by the phenomenal success of the facsimile machine.

The few press reports there were tended to concentrate on how awkward electronic mail (or "e-mail") was to use compared with facsimile or other disadvantages such as how information – or even worse, usage accounts – could fall prey to hackers.

In one notable case in 1986, Prince Philip's electronic mailbox on British Telecom's Prestel service was hacked. In another, just last year, hackers managed to disrupt what should have been a public relations coup for e-mail when they filled an astronaut's mailbox with more than 80 messages, preventing the first e-mail message being sent between the Earth and the Space Shuttle Atlantis.

And in Germany, the Hamburg-based Chaos group of hackers pulled off a series of stunts on Deutsche Bundespost Telekom's e-mail services which regularly earned them space on the front pages of German newspapers, until they decided to call it a day last year.

Given all this bad publicity, it is not surprisingly that the take-up of electronic mail has been generally disappointing. Even in the US, for example, where e-mail was pioneered and still has the highest penetration, there are only about a million users compared to 6m users of fax terminals, 8m cellular phone users and almost 200m phone subscribers.

What is worse for the industry, the income generated by e-mail users is substantially less than that from users of other communications technologies. For example, while the average US fax machine is used to run up a monthly phone bill of $90 and the average cellular phone user spends $75 a month, the average e-mail user spends only $25.

But now it looks as if things may at last be looking up for electronic mail. In an era of personal communications, there is a promise that the idea of sending each other electronic correspondence may gain a new lease of life.

E-mail's "store and forward" nature – where the recipient decides when and where he or she wants to receive a message – is very compatible with the mobility and flexibility of the personal communications concept. New innovations are making it even more so.

A big perceived drawback of e-mail systems has been incompatibility between many systems and the inability to send messages between users of different systems. New systems are being based on so-called open system principles, however. In particular, the X.400 series of message handling system standards developed by the International Telecommunications Union (ITU) during the 1980s are now forming the basis for e-mail systems which allow their users to communicate with users of other systems.

Another ITU series of specifications, the X.500 series, promises to extend this inter-system compatibility even further by providing a standard for electronic messaging directories – so that it is as easy to look up the correct dialling code and number for another e-mail user as it is for another telephone user.

At the same time new, more sophisticated, software "front-ends" are being developed for e-mail users so that they do not have to memorise complicated commands to access their mail or send messages. Many of these now exploit all the tricks of the computer trade such as windows and icons to make using e-mail as easy as using a facsimile terminal. But the icing on the cake, many observers are predicting, will be the ability to combine e-mail with highly portable computers and radio communications networks.

Modems in portable computers have now become standard accessories. But these still require access to a fixed telephone line which can make their use while on the move awkward. Last year, however, US computer manufacturers IBM and NCR and the Japanese electronics giant Canon all introduced laptop computers with built-in radio communications facilities.

At the same time, radio networks are being planned or built capable of supporting these kinds of terminals. In the UK, for example, Dowty, Hutchison and Ram have all launched or are in the process of launching mobile data services. Cellular radio mobile telephone networks are also capable of carrying data although not very well – fewer than 100,000 of the 8m mobile telephone users in the US transmit data via their cellular lines.

A new technology being jointly developed by IBM and nine US cellular network operators promises to change this, however. By exploiting the idle moments of airtime between voice conversations, the group believes data rates of up to 19,200 bits of information a second can be achieved; on a par with the best fixed network dial-up modems.

When it becomes available in the US, early next year, some e-mail experts are predicting a wireless electronic mail boom with a market passing the $10n-a-year mark very soon.

Peter Purton

VIDEO-CONFERENCING

An alternative to costly, tiring travel

VIDEO-CONFERENCING is a technology and business communications medium whose time may finally have arrived. Equipment prices are falling, simple-to-use desktop and PC-card systems are appearing and for the first time video-conferencing and video-telephony are beginning to offer a real alternative to costly, inconvenient and tiring travel.

According to the US-based Gartner Group the world market for video-conferencing equipment is now worth about $200m and is doubling each year. Dial-up, high performance systems are the fastest growing sector accounting for about 70 per cent of the total market and are forecast to account for about 98 per cent of the market by 1995.

The big three video-conferencing system manufacturers are PictureTel, which has about 75 per cent of the US market for dial-up video-conferencing at data rates of under 384 kilobits per second (Kbps), GEC Plessey Telecommunications of the UK, and California-based Compression Labs which produce high-end systems with data rates of above 384Kbps. Indicating the market's dynamism, PictureTel's turnover doubled last year to $78m. Frost and Sullivan, the market research group, estimated recently that the number of installed video-conferencing units in the US would surge from 4,680 in 1990 to 182,000 in 1995.

In the UK market, analysts estimate that 3,400 video-conferencing systems, big studio-type systems and transportable "roll-around" or "roll-about" systems, were sold last year and that sales are roughly doubling each year.

Several factors are driving the recent rapid growth in dial-up video-conferencing.

☐ Firstly, the cost of equipment has fallen dramatically from about £200,000 in 1986 to about £20,000 in mid-1991 (for one end). According to PictureTel's UK subsidiary, prices are roughly halving every two years. PictureTel, which has its European headquarters at Slough in the UK, introduced a £17,000 dial-up roll-about system in September which is designed to work on 64kbps ISDN lines.

These falling costs have been made possible by the availability of VLSI codecs, the advanced integrated circuits used in systems to digitise and compress the picture.

☐ Secondly, the availability of dial-up high-speed data connections like Mercury's Switchband 64kbps-1920kbps dial-up bandwidth-on-demand service, launched last autumn, means that users are charged on the basis of bandwidth only.

Instead of having to own or lease expensive data connections which are not used all the time, companies can now dial-up the capacity they require without pre-booking as and when they want it.

In the UK now, inland video calls can cost as little as £15 an hour – cheaper than a taxi to Heathrow from central London – and a transatlantic call costs about £160 an hour. In The US, costs are even lower with a coast-to-coast call costing between $15 to $20 an hour.

☐ Thirdly, technical improvements have resulted in higher quality sound and pictures over lower levels of bandwidth. Old systems used to produce jerky images on 2Megabit lines while today's systems produce much more acceptable video on 128kbps lines. While falling equipment and usage charges make video-conferencing affordable to more organisations, a growing awareness of other issues like the time and cost of travelling – and its impact on the environment – are also adding to its attractions. This means that video-conferencing is no longer just a boardroom novelty, but is also being used by geographically dispersed project and sales teams, consultants, specialists and others at executive and middle management level.

Video-conferencing is moving out of the boardroom and into the office. Pictured here is dial-up video-conference system at under £20,000 by PictureTel, using low-cost dial-up 64Kb/s circuits – "as easy as a phone call." Typical costs are around £2.50 a minute for a transatlantic call

Futuristic phones: shades of Dan Dare and the Mekon

☐ A talking head, left, appearing out of a desk is just one of the futuristic ideas in telecoms being pioneered by research experts at BT.
The three-dimensional head image projected in the "Future Desk" could have wide applications in video conferencing.
☐ Pictured above: an office free from wires could be 'the business look' of the future with the optical wireless telephone.
Each phone will have its own personal receiver and transmitter in the form of an attached aerial which uses infra-red light pulses. The system is being developed at BT's research laboratories at Martlesham in Ipswich.

In the US, the biggest customers for dial-up video-conferencing are still the Fortune 500 multinationals who mainly use it for internal communications. But companies are also encouraging their suppliers to use video-conferencing to improve communications.

Another factor which has helped boost equipment sales has been the agreement of a CCITT standard called PX64 or H.261 which will ensure that dial-up video-conferencing systems interconnect with each other.

In the UK, both BT – which holds about an 80 per cent share of the UK video-conferencing market and doubled its turnover from video-conferencing sales last year – and Mercury offer public video-conferencing facilities for hire by the hour and multipoint video-conferencing connecting multiple sites, as well as selling video-conferencing packages.

For example, Mercury, which has distribution agreements with the main equipment suppliers, can provide a full executive video-conferencing system including an electronics module, monitors, cameras and desktop keypads and a choice of network services options including Switchband.

Mr Andy Gent, business development manager with Mercury Datacoms, says with confidence, "we're at the right time and the right place – video-conferencing is what people want and the market is growing rapidly."

In the past year, a new low-end video-conferencing market segment has also begun to open up and promises to have a dramatic impact on the office. Desktop and plug-in PC-card video-conferencing systems built around small video cameras and ISDN telephone lines have begun to appear and although only a few hundred systems are expected to be sold this year perhaps as many as 50,000 could be sold in 1993 including an estimated 8,000 in the UK.

Among the suppliers of PC-based videophones and desktop video-conferencing systems in the UK is BT which has spent over £20m developing visual services in the last five years.

Earlier this year BT, in partnership with IBM, unveiled a PC-based videophone which will cost about £4,000 and be available next year. The system comprises a plug-in videocodec card, a small video camera and a connection to the ISDN network. Similar systems are promised by Compression Laboratories of the US which has developed its Cameo personal video system with Apple Computer and by PictureTel which has been working with both IBM and Siemens of Germany.

Meanwhile, Hitachi has begun selling a desktop teleconferencing system weighing 13lbs and the size of an ordinary video recorder. The $14,900 machine, on sale in Japan and the US, has two transmission speeds, 64 and 128 kbps. Hitachi says it expects annual sales of 2,000 systems in each country.

By the end of this year, BT also promises dedicated desktop video-conferencing units which will cost about £7,000 to £8,000 and can have document readers and auxiliary cameras added to them. *(BT's desktop video-conference unit is pictured on page one of this survey.)*

Mr Ian Fox, a senior consultant with BIS, the IT consultancy, believes that the longer-term trend will be towards these desktop and PC-based systems. Until now he argues only a few companies with "megabucks" could afford the sophisticated high-end systems. But the potential market for low-cost video-conferencing is huge and he predicts that "we will see major growth," particularly because the recession has focused attention on reducing travelling costs – "in my view, it's one of the most exciting, if not the most exciting move in information technology today."

However, he is much less enthusiastic about the short-term prospects for home videophones already on sale in France and Japan and those like the £400 analogue model BT plans to launch by the end of the year, or the $1,500 model launched recently in the US by AT and T, because he argues the video quality available at present is "not sufficient."

Mercury's Andy Gent agrees that "it is debatable how fast that (video-telephony) market will develop."

Nevertheless, Frost and Sullivan forecast that the world market for visual communications in general will be worth about $3bn by the mid-1990s. If the analysts are right, the 1990s may well indeed be remembered as the decade when video telecommunications came of age.

Paul Taylor

Freephone services herald intelligent network era

A way to generate larger sales

FREEPHONE services, still in their infancy in Europe, have spawned a telemarketing industry worth about $8bn annually in the US.

As with hamburgers, blue jeans and credit cards, analysts believe it is only a matter of time before the mass freephone habit crosses the water.

The term "freephone" is something of a misnomer. In fact, organisations receiving 0800-type calls foot the bill for the service in return for the greater volume of customer contacts which result from callers not having to pay to make inquiries or place orders.

Two variations on the theme are long-distance calls to corporate sales or service centres in which callers are charged only local rates and the recipient picks up whatever the telephone company deems to be the difference, and country-to-country 0800 calling.

Either way, freephone is seen as a cost-effective way for companies to generate large volumes of new sales leads or service an existing customer base.

"One of the reasons that a lot of these services have taken off in the US is that corporate customers have realised they offer a real competitive advantage," says Mr Tony Cobbe, group director for GPT's telecommunications systems group, along with its partner Siemens, a main supplier of freephone equipment.

Freephone calls exploit what the telecommunications industry dubs "Intelligent Network" (IN) technology. Put simply, an IN involves the addition of computer intelligence to the telephone network to allow a number of permutations on the traditional function of connecting one wireline subscriber to another and charging the call originator for the privilege.

Freephone calls exploit what the telecommunications industry dubs "Intelligent Network"

As well as reversing normal charging procedures, computer intelligence facilitates the introduction of a whole range of new services. Included are offerings such as virtual private networks, in which unused public network capacity is partitioned off for private company use; credit card calling; calls to and from personal numbers regardless of an individual's physical location in the network; the display of incoming caller numbers; automatic re-routing of calls around a network to accommodate traffic surges following televised appeals or disasters; and pay-per-use telephone information services which encompass anything from weather reports to so-called "sex lines". Cellular telephony is itself a species of IN service.

Initial IN offerings such as freephone were built to be accessed nationwide but, to reduce operator costs, used a small number of large centralised data bases which were interrogated over a special transmission network as the need arose. Future implementations are likely to be more specialised both in terms of content and geographic availability. This has increased network design options to include smaller and more widely distributed intelligent nodes.

"None of the operators are going to want to put in huge amounts of extra transmission capability just to haul stuff to central or regional nodes if some of the services are more economically deployed more locally," says Mr Cobbe.

Telephone operators worldwide are investing in IN systems because they generate new revenues with much higher margins than conventional telephony. They are also a way of responding to competition, where this is permitted, and provide better tools for the overall management and control of networks and services. Adding to its attractions, the IN can provide access to new global service markets.

However, public telecommunications operators do not have the field to themselves. In the case of "value added" services such as recorded pop music or sports results, revenues are split with the information providers.

How big the European IN value-added sector will become depends to some extent on the interpretation of Open Network Provision (ONP) legislation being prepared by the European Commission.

ONP defines the conditions under which public networks can be accessed by private sector service providers and the trick for the EC will be to balance the ideal of equal access with the need to preserve the integrity of the network.

Because some IN services imply that operators relinquish a degree of network control to their customers, developments on the ONP front will also be relevant to some corporate users of IN services.

"I don't think that anywhere in the world yet there's been enough experience of operating with a significant amount of user control," says Mr Cobbe. "We don't know whether there are, or are not, any network risks which arise from that."

Like the operators, telecommunications vendors such as Alcatel, AT&T NSI, Ericsson, Fujitsu, GPT, NEC, Nokia, Northern Telecom and Siemens are keen supporters of IN. Manufacturers view it both as a parallel market opportunity for their established exchange systems and, because the technology is becoming switch-independent, as a possible means of entering new national markets.

"If you're big in the industry, you're big in intelligent networks," says Mr Jim Cochrane, director of the switching business unit at AT&T NSI.

Just as IN services are not the sole preserve of the operators, so IN system supply is not an activity exclusive to telecommunication vendors. Some of the spoils of the new market have already gone to the data processing sector.

Businesses receiving 0800 calls foot the bill for the service in return for the greater volume of customer contacts

Although AT&T does not yet have a leading partnership in the IN sector with a computer system company, other telecommunications vendors have deemed it appropriate to work closely with the likes of IBM, DEC and Tandem.

It is a moot point whether data processing (DP) vendors will eventually dominate the IN sector. According to IBM Europe "The product focus in the period 1995 to 2000 will be the service management environment, where the DP technology strengths take place."

Mr Cochrane believes the computer companies still have some way to go to adapt to the stricter reliability disciplines of the telecommunications business: "The computer industry has not emphasised fault-tolerance to a great degree and they've not introduced non-stop fault tolerance at all. It's just beginning to be a factor in their equations nowadays."

Whatever the truth of this, it is clear that the gathering momentum of IN will present opportunities and challenges to service operators, system suppliers and users alike.

"It will dominate the telecommunications market in the first part of the 21st century", says Mr Steven Timms, principal consultant at the UK's Ovum consultancy. "At a conservative estimate, IN services will account for 22 per cent of US telco revenues and 10 per cent of European revenue by 2000."

John Williamson

The author is the editor of Telephony Magazine.

The networking revolution

GEORGE BLACK reports on the way that local area networks are sweeping the business world

THE LOCAL area network revolution is in full swing and shows no sign of slowing. By the end of this year, around 35m personal computers used for business, or a third of the total installed worldwide, will be connected to networks within a single site, according to Mr Lee Doyle, a research director at International Data Corporation.

He estimates that by 1996 around 40 per cent of the PCs in the world will be networked and – in Europe – the LAN proportion will rise from 42 per cent to 59 per cent.

Market research produces very different statistics on the size of the market, because of widely differing definitions. Figures for the total world market for LAN products in 1992 vary between $10bn and $20bn. Where all the analysts agree is that it is growing fast, probably at 30-40 per cent a year.

This growth has been boosted by a sharp drop in prices for many types of essential LAN products such as routers, which help to gather and disseminate information.

Most LANs have one of two configurations, Ethernet or Token Ring, both of which are well-established.

At the lower level, involving cabling, bridges and routers, the principal suppliers are IBM, Digital and BT, although increasingly challenged by many others such as Mercury's DataComs subsidiary, BICC and Ungerman Bass.

At the higher level, the beneficiaries are companies such as Compaq, which provides the powerful workstations, and Novell, the dominant software supplier.

The first phase of networking began in the mid-1980s, when users began to find that their standalone personal computers were not able to do what they wanted. They had to be able to exchange data for most practical purposes.

The networking movement was pioneered chiefly by American businesses such as American Airlines, which now has over 20,000 networks.

A second phase is being brought about by the trends to "downsizing," "client/server structures" and "workgroup computing."

"Downsizing" and "rightsizing" are the vogue words to describe the process by which many organisations are moving systems to smaller machines which are more economical.

Many are also splitting their systems in what is called a client/server structure, whereby large databases remain on the centralised servers but users can communicate with them from applications on their desktop PCs.

At the same time some are starting to adopt applications known as "workgroup" computing, "groupware" or "workflow automation," that enable teams to share information more effectively. Mr Ben Smith, UK sales director of Novell, talks of two cultures – the corporate culture and the workgroup culture – and says that the barrier between them is gradually being broken down by local area networks.

He takes the view that many senior information systems managers in large companies, who grew up in the world of centralised mainframe-based computing, remain hostile to local area networks and are obstructing their expansion. This opinion is shared by some other industry-watchers.

Ben Smith expects that LANs will reach a form of co-existence with mainframes, rather than replacing them.

Mr Hugh Jenkins, systems products manager for Compag, agrees on this point. He notes that Compag is now building PCs specifically designed to run on LANs, with special security features essential for LAN management.

The ability to disable particular disk drives to protect sensitive data and to guard the LAN against software viruses are among the features that are becoming standard in LAN-specific PCs.

The rapid growth in the market for laptops is not evidence for a return to standalone PCs, as half of them are now used in conjunction with LANs, he says.

Many large companies worldwide are finding real communication benefits from connecting their personal computers, especially through shared databases, both local and remote, online order processing, shared printers and electronic mail.

Large computer users are transferring more and more routine applications such as accounting and desktop publishing to local area networks. There are also industry-specific applications emerging – for instance, to run a doctor's practice or a shop.

LANs can connect from five to 250 users. Ten-user and 20-user systems systems are still the most common, but there are signs of a shift to larger groups.

More than half of the new installations are greater than 20-user. This may reflect the experience of users who report that groups of 20-30 people derive most advantage from the new workgroup software products such as Lotus Notes.

LANs of 100 or more users are becoming common and many large companies have 400-500 user configurations. More LANs are being linked to each other to create very large user groups, sometimes of up to 1,500 people.

Mercury has recently won several contracts for networking British hospitals, including St Thomas's in London, where 2,000 PCs in five buildings will be tied together. This is believed to be the largest National Health Service hospital network so far and will be watched closely by other hospitals to see if the doctors and nurses get the hoped-for improvement in information service.

BT, the UK's largest computer user, is in the middle of an internal office automation project on a much greater scale, linking local area and wide area networks with the aim of connecting 50,000 users in the next two years.

This huge scheme is intended to integrate several proprietary office automation systems.

IN BRIEF

London's first voice technology show

VOICE '92 EUROPE, the exhibition and conference planned for London's Olympia from October 6-8, 1992, will include new applications for voice technologies, including PABX and ACD systems, audiotex equipment, voice response and speech-recognition systems. A special focus will be computer-supported telephony.

Among the leading US and UK companies taking part in the event will be AT&T, Rockwell International, GPT, Racal and Ascom Telecommunications. Speakers at a parallel Voice 92 conference will include Vivienne Peters, director general of the Telecom Users' Association; Dr John Daniel, vice-chancellor of the Open University; Nigel Hart of Mercury Communications; and Charlie Foskett, president of National Micro Systems.

☐ More details available on 061.891 1314.

European market poised for growth

EUROPE's fledgling market for PC LANs – local area networks used for connecting personal computers in offices, so that users can share files and resources - is poised for steady growth, says a new report from market analysts, Frost and Sullivan.*

Although only just over five years old, the penetration for PC LANs reached an estimated 7 to 12 per cent of all PCs by the end of last year. The growing market for PC LAN hardware, software and file server products is likely to be worth more than $3bn by 1996, the report adds.

For more details, telephone 071-730 3438.

Hospital's improved switchboard service

EAST BIRMINGHAM Hospital, which adopted trust status in April, has purchased a customised Callmaster voice processing system from Racal Recorders, to handle its large number of incoming calls.

The £100,000 system will handle up to 50 per cent of external calls, routing these through extension numbers, allowing operators more time to deal with specific inquiries.

Answering machines and voice-messaging systems become more sophisticated

How to make the right connections

RESEARCH studies have shown that up to 75 per cent of all telephone calls initially fail to find the right person. One solution to this problem is to install an answering machine or other voice-messaging technology.

The answering machine is a simple and effective means for passing on information to an individual or a small group of people if they are unavailable at the time of a call.

The latest models boast sophisticated refinements which, for example, allow owners to access the machine remotely then, by tapping out a code on the telephone keypad, go straight to the stored messages.

Other features on new machines like the Panasonic KX-T1456, which costs less than £85 and is designed for private or small business use, include a message memo facility which enables messages to be left by family or a secretary while the user is away.

Most mobile telephone-users now have access to messaging services. For example, in the UK, Cellnet launched its 24-hour answering services for cellphone customers last autumn. The system called Callback, will record all calls automatically and then call the mobile phone user to transmit the messages.

To use the service, the Cellnet customer simply taps in a short divert code and from then on all unanswered calls are automatically handled by Callback.

The competing Vodafone mobile phone system launched a similar service called Recall last month. Once connected to the service, all calls are answered, even if the customer's mobile phone is switched off, and they are then alerted by a call when they switch back on. The Recall service also offers a number of other features including a simple help menu for example to repeat or skip messages, security code message protection, a choice of greeting message for callers.

More generally, voice and call processing technology enables a standard telephone to function as a computer terminal by allowing the user to access computer applications using voice commands, the telephone keypad or a combination of the two.

The European market for voice and call processing systems is projected to grow from £100m last year to £850m in 1995 and is being targeted by companies like Hampshire-based Advanced System Architectures which has launched a range of voice and call processing systems and products offered as "productivity boosters" to businesses and to software houses and systems integrators.

Using the technology, voice mail and voice-messaging systems, which represent a kind of corporate answering machine where messages are recorded to be picked up by the recipient dialling a personal mailbox number, were pioneered in the US by companies like Octel, AT and T, VMX, Northern Telecom and Centigram.

Although used widely in the US, companies in Europe have only recently begun using voice messaging technology and implementation of systems in the UK is running about three years behind the US.

However, the UK is generally ahead of the rest of Europe, probably because it was the first country in Europe to liberalise the provision of phone services and equipment.

As a result the number of touch-tone telephones is quite large in the UK, and that is a pre-requisite for voice messaging unless people carry touchpads around in their pockets the whole time.

The European market for voice and call processing systems will be worth £850m in 1995

Many large companies first begin to use voice-messaging services through a telephone company bureau. This enables them to become familiar with the technology by using a small number of voice mail boxes.

Once they appreciate the advantages, many install their own equipment which can then handle more complicated processing tasks like combining voice messaging with electronic mail and faxes.

By providing a link between the company computer system and the in-house voice-processing system, electronic mail – usually sent from one computer user to another – can be stored digitally in the recipient's mailbox.

A caller interrogating the messaging system will then be told that there are, say, two voice and one electronic mail messages. The caller can then listen to the voice mail messages and, if required, the electronic mail can also be "read" to the caller by a digitised computer voice.

Some systems can even go further, storing facsimile messages which can then be forwarded to a fax machine near the caller.

While technologies such as voice mail enables callers to leave, retrieve or exchange digitally recorded voice-messages, audiotex enables callers to access a wide variety of pre-recorded information, for example aircraft flight times.

Most recently, interactive voice response products have emerged which allow callers to input information to, and retrieve information and services from a company computer database using a touch-tone telephone.

These different voice processing technologies are gradually merging together and becoming increasingly sophisticated with the use of voice recognition, voice synthesis and image processing to handle more complex transactions.

One example of this was unveiled earlier this year by Syntellect, an Arizona-based company which launched what it claims is the first multilingual interactive voice response system.

Syntellect's new Global-Series of Interactive Voice response (IVR) systems was designed to enable callers from anywhere in the world to call at any time of day or night and to and leave or receive a message, place an order, obtain a quote or get an answer a technical query.

Using sophisticated voice synthesis and processing techniques the system "understands" six different languages at first contact level. Once onto the system the caller can then communicate in any of 26 languages.

The IVR system can be connected to almost any sort of host computer system allowing the caller to access his target's database, either to input information or to retrieve information and services.

It also allows the caller to leave, retrieve or exchange digitally recorded messages or access pre-recorded information using audiotex. The system is aimed at organisations like banks and other financial services companies, transport companies, governments and company sales and customer service departments.

Using systems like this it is claimed that costs can be reduced because there is less need for human telephone switchboard operators and customers benefit from improved 24-hours service. Like their less-sophisticated counterparts, they may also help increase the proportion of calls and messages that do eventually find their way to the intended recipient.

Paul Taylor

Small businesses can benefit from the Mid Devon Telecottage at Colebrook, providing access to fax, PCs, laser printers, wordprocessing, electronic mail, photocopying, desktop publishing and data base generation

TELEWORKING/TELECOMMUTING

Boost for efficiency

WITH plenty of empty office space in many of the world's cities, the growing interest in teleworking – or working from home – may be bad news for hard-hit commercial property markets.

A rather formal definition of teleworking (sometimes known as telecommuting) from BT is: "Any time when an employee, instead of travelling to a central office, stays at home or at a remote site and uses a telephone line to send and receive work."

Though you may not have known it, you have probably teleworked at some time or another – just recall those days when you have worked at home, making extensive use of the phone, perhaps due to a transport strike or because of sickness. Furthermore, many business activities involve work at home.

In the UK, more than 500,000 people are thought to telework full-time, with a further 1.5m part-time. Some analysts estimate that by the year 2010, at least 20 per cent of non-manual working in the UK will be working from home, or near it.

Teleworking's basic enabling technology is, of course, the telephone, but as well as allowing remote voice-communication, the phone line can be used for fax machines and modems which respectively enable images and data to be sent speedily from one place to another.

Here, office memos and correspondence can be prepared on the ubiquitous PC and transported by electronic mail services such as Telecom Gold, Mercury Link 7500 and MCI Mail. These facilities can also be supported in all but the most remote places by means of cellular phones.

While developments such as ISDN, Centrex, broadband and intelligent networks will smooth the path to teleworking, the digitalisation of the basic telephone network is arguably the most important factor.

Many conventional office activities are suitable for teleworking: specialists, whose work frequently has a high "independent" content; managers, who need intervals of peace and quiet so that they can concentrate on specific tasks; "nomads," such as salesmen or area managers, who often have a roving commission; and clerical staff who may perform data-entry work or telesales from home.

In the UK, interest is being shown in a network of "telecottages" - or work centres in country areas in Devon and the Scottish Highlands where local people call in for faxes, electronic mail and other data.

SINCE an underlying feature of teleworking is the use of telecommunications, it is hardly surprising that both Mercury and BT are actively promoting it. Last October, when Mercury produced its Teleworker Portfolio, it published research carried out by Gallup that showed that it is a popular and highly effective option for both the individual and for the employer.

They found that of companies operating a teleworking scheme, 97 per cent consider the practice to be effective, giving increased efficiency, (42 per cent); increased productivity, (40 per cent); and cost-savings, (38 per cent) as the most important reasons for teleworking.

However, as well as these benefits that are easily quantified and transferred to the balance sheet, there are other issues which need to be addressed. To quote from a BT Research Laboratories report, *An Overview of Teleworking*: "... over the last decade there has been a movement of population from cities leading to an increasing population in urban and rural areas. For many families, their chosen environment would be a country village. Teleworking will help this aspiration to be fulfilled."

Teleworking will be one way of combatting the projected shortages of skilled staff, as it will enable companies to retain staff who would otherwise leave.

Since last October, Chris Ridgewell, Mercury's product manager for teleworking, has conducted more than 70 teleworking workshops for groups of up to 200 people.

These meetings have often been followed by presentations to companies which have then have set up working parties of staff, executives and trade unions, as they consider moving towards setting up teleworking schemes.

Despite the benefits to both employer and employee, care is needed in the introduction of teleworking, if problems are to be avoided. As well as the fear of apparent "loss of status" by the teleworker as compared to on-site staff, there are other factors such as the risk of social isolation and loneliness; also, the maintenance of company confidentiality, and the provision and insurance of teleworking equipment.

Britain is arguably far in advance of the rest of Europe in all aspects of teleworking. Thus, the European Community has shown interest in the proposed code of practice for teleworking by the UK's National Teleworking Advisory Council. It has, as its overriding aim, the encouragement of growth in the teleworking sector; in particular, by responding to the commercial requirements of large companies.

Such businesses need appropriate terms of reference to cope with this change in working environments if teleworking is to grow to its full potential in the UK and elsewhere.

Adrian Morant

☐ *Report available: "Teleworking in the UK," from the National Computing Centre, Oxford Road, Manchester, M1 7ED.*

☐ *Case studies on the subject are also given in "Teleworking: a Strategic Guide for Management," by Steven Burch; Kogan Page, £18.95.*

AUDIO-CONFERENCING

Now the technology comes of age

THERE MAY be many new and exciting technologies for business communications, but the telephone is coming back into its own in the electronic office, as the medium for time-critical conferencing applications.

Swanning around the country, or hopping on Concorde just to attend a half-hour briefing meeting, could be a thing of the past. Audio-conferencing has been available for many years, of course, but 1992 marks a turning point in terms of the technology, according to Steve Gandy, manager marketing & sales, BT Visual & Broadcast Services.

"In fact, things have started changing quite radically. The key change has been the introduction of low-cost audioconferencing equipment which is purpose built for the conferencing environment, enabling a number of people to participate, no matter where they are located.

"More importantly, the new generation of systems feature full-duplex operation and the latest echo cancelling technology, which means that everyone in the room, and people in remote locations, can all speak at the same time and be heard by each other as if they were all in the same room, with no clipped sentences or lost meanings," he says.

Twenty-five per cent of audio-conference users in the UK are in the financial sector. Above: a conference under way around a new BT AC2000 terminal

■ The market: according to researchers, Frost & Sullivan, the US market for audioconferencing in 1990 was worth $726.6, of which $87.8m was equipment sales, $180m value-added services revenues and $458.8m transmission revenues. A five-fold jump is forecast over five years, which suggests it will represent a $3.54bn market by 1995. Since it is estimated by other sources that North America accounts for 82 per cent, and Europe for 12 per cent of the worldwide market, audio-conferencing was worth around $880m in 1990 and will rise to $4bn in 1995, with network operators, service providers and equipment manufacturers all able to look forward to a slice of the action. Indeed, BT says that the audioconferencing in the office-to-office business communications sector alone will be worth $49m in Europe by 1995.

■ The applications and benefits: audio-conferencing is set to become one of the most important communications tools for the 1990s, helping people to run their businesses more effectively and save costs – not just the upfront expenses of air fares and hotel accommodation, but the below-line costs associated with the time, inconvenience and effort spent gathering people together in a single location and taking them away from their core activity.

Face-to-face meetings will not, of course, become, a thing of the past but the physical presence of participants will not always be necessary. In fact, it will be possible for people to hold meetings more often, without adversely effecting the time spent on their core activities.

The improvements in the decision-making process could be dramatic. Using their own equipment, or the service of a bureau, businessmen can set up telephone meetings in whatever combination they like. It could be half a dozen executives, each in their own offices but linked together; it could be two groups, one in the London boardroom and the other in the New York office, or it could be one person, linked to many different individuals spread around the country.

Another application might be telephone broadcasting, using the telephone system like a radio transmitter to send a message to the whole workforce simultaneously. The broadcast can be turned into a phone-in programme, allowing key regional managers to quiz the boss on an important policy issue.

■ Users: audio-conferencing is being used for crisis management in commercial operations. The AA and RAC are big users for control of traffic and general operations. It is also used in the professions, such as law and management consultancy, where time is money and fee-earners must be seen to be offering a cost-effective service.

BT says that 25 per cent of its user base is in the financial sector, where audioconferencing is used for the early morning "prayer meeting," as well as for time-critical meetings, where, for example, dealers need to discuss how to react to a financial crisis before the news breaks.

A large proportion – around 30 per cent of users – is in sales and marketing, where audio-conferencing is used for weekly briefings and sales update meetings.

"The alternative is for the manager to ring each sales person individually or take everyone off the road to gather in one location, reducing their selling time. The cost, time and effort involved normally means it just doesn't happen", says Mr Gandy.

But what about the all-important psychology factor where face-to-face meetings enable those participating to determine what mood someone is in, or what their attitude is by interpreting body language?

"That is where the new technology plays an important part. Providing you know the person, you can tell their reaction by detecting the nuances in the tone of someone's voice," Mr Gandy suggests.

■ The technology: though there are a number of audioconferencing equipment manufacturers, UK-based GPT Telecom being one of them, most tend to focus their marketing effort on the seemingly more glamorous videoconference market. However, those manufacturers whose products are marketed by BT are likely to be the market leaders, not least because BT claims 80 per cent of the £5.4m UK audioconferencing market.

As well as offering a Conference Call bureau service, BT has four products in its portfolio, with prices starting at £680, and moving up the range in terms of sound level quality, duplex operation, and the number of people that can comfortably participate in a conference.

The low-cost entry unit for desk-to-desk audioconferencing is the AC2000 which is manufactured in the UK by Cairntek. For desktop or small roundtable conferences, the AC4000, manufactured by NEC of Japan and sold by them as the Voicepoint, is priced at £1,200, the price premium being accounted for by the marginally better sound level quality and duplex operation.

For bigger rooms, BT offers the ST3000 and ST6000 both of which are manufactured by US-based Shure – "the reason we offer a choice is so that customers can be provided with a system that is fit for the purpose in a particular environment," says Mr Gandy.

The other important element in the new generation of technology is the bridge which connects the telephone lines for multiple-location audio-confer-

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MOBILE TELEPHONY

Europe within calling distance

IN THE 1980s, mobile telephony was one of the most dynamic service sectors recording explosive growth in the UK and worldwide. But recently its growth has slowed – just as a new generation of digital mobile telephone systems are launched.

In Britain, so many customers bought mobile phones in the late 1980s that the two cellular telephone network operators, Celinet and Vodafone, had to increase capacity to keep pace with the volume of calls. Helped by steady call charges and declining equipment prices Britain has ended up with more than twice as many cellular telephone users as Germany, France or Italy.

But after several years of spectacular growth, the UK subscriber base – which is dominated by business customers and small businesses in particular – grew by just 7 per cent last year to 1.23m, and both UK operators now have excess capacity.

This slowdown has come at a critical time for the industry which, as Mr Chris Gent, managing director of Vodafone says, "is very fast moving and changing." The cellular system in the UK, in operation since 1985, uses analogue technology, but in future two new digital systems will be also competing for customers in the mobile communications market:

□ The first, called Telepoint, is an economy-style mobile system designed for travelling business customers, but its main drawback is that subscribers cannot receive incoming calls.

□ A second set of new services, which can also receive incoming calls, are based upon GSM (Groupe Speciale Mobile), a pan-European digital mobile communications standard.

However, these new technologies have got off to a shaky start in the UK. Three of the original four consortia licensed by the government to offer Telepoint services pulled out after sustaining significant losses and ending up with only 5,000 customers between them. Despite this the fourth, Hutchison Telecom, went ahead with the launch of its telepoint service, and a satellite-based paging service, in April.

On a Europe-wide basis, however, most interest is focused on GSM which is viewed as the most important advance since the development of cellular phones. It is also changing the way existing European networks operate because many countries are using it to introduce competition for nationalised monopolies.

When they are operational the GSM services will make it possible to drive from one end of Europe to the other using the same cellular mobile telephone. Seventeen countries agreed to the GSM standard and set a target of July last year for the launch of a limited initial service.

Problems with the technology and other problems have resulted in some delays. However, several operators, including both Cellnet and Vodafone in the UK, have already successfully tested GSM systems. Mr Gent of Vodafone says the setting of original target was always "a bit tongue-in-cheek," but has, nevertheless, provided an important initial impetus.

Indeed, the first of a new range of GSM telephones manufactured by Orbitel Mobile Communications, the Vodafone/Ericsson joint venture equipment manufacturer, received UK approval at the end of last month, ensuring that the first equipment for use on the new systems will be available to customers later this year.

Once operational mobile phone users will be able to make and receive calls on any GSM phone in any country covered by the system. Subscribers' details will be recorded on a smart card which will plug into a slot in a GSM phone. Having plugged in the user card the phone will adopt the user's number, and all calls will be billed to the card owner.

Because the system is digital, it should provide secure high quality voice and data transmission and enable system operators to offer additional features such as call hold, call transfer and messaging services.

Helped by declining equipment prices Britain has twice as many cellular telephone users as Germany or France

The GSM systems in France, Germany, Scandinavia and the Benelux countries should become operational later this year, and Vodafone which launched its network in December, says it plans to have 90 per cent of its system in place by the middle of 1993. Cellnet, which is owned by BT and Securicor, has been also testing its GSM network and is planning to launch the service commercially next year.

But, in spite of its imminent availability, it is unlikely GSM services will replace the older analogue systems, at least not in the short term. GSM phones will initially be more expensive than existing analogue cellphones and will also be much bigger, and heavier. Many mobile phone users are expected to remain on the analogue system and Mr Gent believes there will be a slow migration to GSM.

However, the GSM system operators, who are investing very heavily in digital infrastructure, are hoping for a quicker take-up of the other mass market digital services which they will also be able to provide. For example, Vodafone plans to launch a second service on the back of GSM called the Micro-Cellular Network, or MCN, which will be a low-cost urban-based portable telephone service aimed at domestic customers and is due to be launched in the south east of England in mid 1993.

MCN call charges are expected to be cheap, from only 10 pence a minute within a user's home town, to 20 pence a minute for national calls putting the service in direct competition with fixed telephone networks. MCN subscribers who travel will also be able to access the nationwide and pan-European GSM service, but at premium rates.

Mr Gent belives MCN and similar services will make mobile telephony available to many more people. He admits that MCN is being launched in part as a response to the competition for the domestic market expected from other new digital systems called Personal Communications Networks.

In 1989, when the UK government asked companies to apply for PCN licences, companies rushed to compete, buoyed by predictions of 10m customers by the end of the decade, and the belief subscribers would swap their ordinary phones for PCN's pocket-sized personal handsets.

But since then the UK economy has plunged into deep recession and the need for heavy investment has frightened many of the original shareholders,leading to delays in starting the new services. Two of the original three consortiums awarded PCN licences, Mercury Personal Communications and Unitel, recently agreed to merge, while the third, Microtel, was sold to Hutchison Telecom.

PCNs will use pocket-sized high frequency radio phones over short distances to link users to traditional telephone exchanges via a system of relay stations. Their proponents argue that PCN has a number of advantages over GSM, including smaller phones, and a greater network capacity because cells are smaller, and so the same frequency spectrum can carry a greater volume of calls.

These new digital services, together with the advanced satellite paging systems, promise a second revolution in business mobile telecommunications. But although GSM will be a European-wide system, the dream of being able to use a phone anywhere in the world is still some way off.

Although Australia, New Zealand, and some Middle Eastern and African countries have shown interest in GSM, Japan and the US have chosen different standards. A truly worldwide mobile telephone system may have to wait for a third generation of systems, the long-awaited universal mobile telephone system, or UMTS, which could be introduced by 2000.

Paul Taylor

DATA TRANSMISSION VIA TELECOM LINK

A NEW £3m telecom link is solving "stockout" problems – and subsequent loss of sales – at Mothercare, the high street retailer. Pictured here is Richard Glanville, commercial director of Mothercare, inaugurating the electronic point-of-sale (Epos) system at the company's Brent Cross, London, store by selling Babar the Elephant to Carolyn Nimmy, technical director of the software system supplier, Hoskyns Insight. Special polling software enables Mothercare's IBM AS/400 computer at its Watford headquarters to take data straight from the tills in its 255 stores via telecom links for overnight analysis.

Colour fax systems on the way

Prices of machines continue to tumble

IN little more than a decade, facsimile machines have become an integral part of most offices and a vital communications tool. Now they are appearing in homes, cars and even brief cases.

Fax machines are also becoming faster and more sophisticated; and they are being integrated with other office equipment such as laser printers and desktop PCs, and new value-added communications services are being built around them.

Equipment sales grew rapidly in the 1980s and, in spite of the recession, they have been buoyed more recently by the advent of plain paper fax machines and the emerging consumer market, targeted by the mainly Japanese hardware manufacturers.

As prices continue to tumble, some analysts believe that by the mid-1990s, one in three fax machines sold will be for personal use. Many of these small, desktop machines combine the functions of telephone, answering machine, photocopier and facsimile and can switch between voice and fax and need only a single line.

Today, there are an estimated 15-20m fax machines worldwide, a number which is expected to grow to over 30m by the end of 1993. Most are of the Group 3 industry standard and can send an A4 sheet across the world in seconds for the price of a telephone call.

The biggest installed base is in the US, but according to the British Facsimile Industry Consultative Committee, which represents suppliers, there are more than 900,000 machines in the UK and two out of every three employees have access to a fax terminal.

Fax-usage is also increasing. The UK market will be worth about £750m this year and is growing by about 30 per cent a year compared to five per cent for voice traffic.

One reason for this rapid growth is that fax machines are relatively simple to operate. Nevertheless, there is a trend towards more sophisticated machines and features like number memories, one-touch and speed dialling, automatic paper-cutter and activity reports are increasingly regarded as standard, even on basic machines.

Some machines can now store a fax for transmission later, others remember messages when they have run out of paper, can be operated remotely, or have the ability to "broadcast" a fax to multiple destinations.

A new machine from Yamaha can read a file from a PC floppy disk and then send it as a fax while others can read, send and store faxes from optical disks.

Meanwhile, Sony will this month begin to market a 1.5kg battery operated portable fax in Japan which can be connected to a cellular,car or a pay phone, send an A4 sheet in 20 seconds and display incoming faxes on an LCD screen.

Colour fax machines are also just around the corner. Several Japanese manufacturers have announced colour machines although Sharp is the only manufacturer to unveil a Group 3 desktop colour machine which will work on a standard telephone line.

The Sharp FO9000, which will be available shortly in the UK, can transmit an A4 colour photograph in three minutes and print from a palette of 255 colours using a high quality dye-sublimation print engine.

Colour machines are expected to meet a specialist need, rather than replace mono faxes, but plain paper faxes are gradually replacing the traditional thermal machine, with its rolls of expensive paper which crumple easily and eventually fade.

Although they are generally more expensive than thermal machines, the price difference is narrowing and plain paper, like used in photocopiers and laser printers, is cheaper.

Indeed, the distinctions between fax machines and other office equipment are becoming blurred. For example, Xerox and other manufacturers have recently launched plain paper fax machines that double as photocopiers and Fujitsu's Faxjet turns a LaserJet compatible printer into a fax receiver.

Plug-in cards and external fax-modems are already providing portable computers, desktop PCs and networked PCs with the power to send and receive faxes.

There is also growing demand for faster fax transmission to cut labour, time and phone costs. Some Group 3 machines already operate at 14,400 bits per second (14.4k bps) over the public switched telephone network and can receive or send an A4 page in about six seconds. There are also a few Group 4 faxes which were designed to operate on ISDN (integrated services digital network) circuits at 64k bps, transmitting an A4 page in 3-4 seconds.

Today, there are an estimated 15-20m fax machines worldwide, a number which is expected to grow to more than 30m by 1994

But although Group 4 faxes have been around since the mid-1980s the introduction of ISDN has been much slower than expected.

In the meantime, the transmission speed of Group 3 machines has been further enhanced and an alternative 64k bps standard has emerged called either Group 3bis or G364.

While its advocates are not suggesting that Group 3bis machines will be much cheaper than Group 4, they do argue that the Group 3bis approach will make it easier for faxes to work on both the ISDN and the public switched telephone network while offering the same speed,resolution and other improvements as Group 4 faxes.

In another important area, that of error-free transmission,an industry standard was adopted in 1988. Machines complying with the standard automatically resend corrupted sections of a message, ensuring that users can be confident that a document will reach its destination ungarbled.

Meanwhile, some telecommunications groups have seized the opportunity to generate additional income by offering value-added services to fax customers.

For example in the UK, BT offers its voice-prompted FeatureFax service while in the US American Telephone and Telegraph offers a similar subscription service called EnhancedFAX which enables customers to broadcast a fax, virtually simultaneously, to as many as 10,000 fax machines via nodes in the US, Canada, the UK, Japan and Hong Kong.

The service came to prominence during the Gulf war, when more than 1m messages were sent to troops in 'Operation Desert Fax.'

In the UK, Vodafone's Vodata unit began offering an adjunct to its audiotex service a year ago called Vodastream Fax service. This facsimile-based information delivery system can either be used by people to call in by fax to a central number and receive back a fax from the information provider, or by the provider to send multiple fax copies to a list of recipients.

The service is currently used by, among others, the Met Office for weather information for pilots and yachtsmen and by the Central statistical Office to distribute government information.

The Vodastream service also has a fax mailbox facility where messages can be left and recalled later by the intended recipient using a fax machine from anywhere in the world.

Mercury's managed fax service in the UK, called Surefax, is a particularly sophisticated set of value-added services aimed at multinational customers and launched by the Cable and Wireless group subsidiary in October.

Mr Paul David, business development manager in Mercury's messaging division, says it was designed to provide cost effective solutions to many of the problems business customers complain about like busy and dropped fax lines, costly redials and paying unnecessary premium rates to send non-urgent faxes during peak periods.

Mercury claims its Surefax switch is the largest in the world with a capacity to handle over 18,000 fax pages an hour. Eight months after its launch it is already handling about 3,000 fax messages a day, with an average length of 3.3 pages.

Documents can be sent to the Surefax switch – a kind of automated fax exchange – from an ordinary fax machine via a special socket, or direct from a desktop PC, for passing onto single or multiple recipients either immediately, or sometime later.

Among its other features, Surefax ensures "a never-busy fax line" and will auto matically retry a recipient's line until the fax is sent. If transmission is lost or garbled, it will resend only those pages that are missing.

One significant growth area targeted by the Surefax service is PC-generated faxes. It is estimated that in the UK about 80 per cent of all faxes begin life as a wordprocessor file on a PC. But the document is usually printed out before being loaded into a fax machine for delivery.

Only two per cent of fax traffic is sent directly from PCs, but Mr Daniel says "we are convinced this is going to change."

Eventually, he expects up to a quarter of all faxes to be sent directly from a PC or from a computer network.

Paul Taylor

SMART PHONES

A demand for more user-friendly systems

Telephones are starting to seem very old-fashioned compared to personal computers, says George Black

WHILE PCs have progressed rapidly with graphical user interfaces, telephones have remained distinctly unfriendly.

Today's feature phones are not much more advanced than conventional phones. As far as most people are concerned, the last great leap forward was the replacement of the circular dial by push-buttons.

Most private automatic branch exchanges (PABXs) support a number of telephone features intended to make the user's life easier, especially if he or she is a senior manager under pressure.

These include liquid crystal displays giving details of incoming and outgoing calls and dedicated function and programmable keys which can store numbers for access by pressing a single' key. More numbers can be stored in the exchange and accessed by short codes.

If an internal number is engaged, the exchange can be automatically instructed to call back when free.

Conference calls can be set up and a built-in microphone can leave both hands free during calls. Secretaries can keep track of a group of lines to see which are engaged and alert a manager to another incoming call.

But most such features are little used. According to Mr Paul Turton, a senior associate at technology consultancy CSC Index, over 90 per cent of them are never used and less than 10 per cent of people use any of them regularly.

On internal training courses it often emerges that many people cannot even perform simple operations such as call transfer, pick-up, retrieval and diversion.

Financial directors are reluctant to spend money on more complex equipment which staff are even less likely to use.

Prices for feature phones are still high.

The simplest analogue feature phones with a few basic functions cost £30-£50, compared to around £10 for the most basic telephone on the market.

Digital feature phones are in the range of £200-£300, so they will not be spread around unless there is a good reason.

The problem is partly one of training. Senior staff who could most benefit from knowing how to use their telephones fully are the most reluctant to go on training courses. But the main reason is that the machines are still too hard to use. Manufacturers have crammed in too many features without adequate instructions and users are not surprisingly confused.

Ms Susan Dark, group product manager for Mercury Communications, thinks that many more types of telecommunications services will be used once the telephones themselves become more user-friendly.

"Telephones need to become much more like personal computers," she contends.

They are about to do so. The next generation of smart phones may reach the European market next year.

These devices with built-in microprocessors and much improved displays are now being tested by a number of manufacturers around the world.

ONE of the most important trials is to be conducted in the US by AT&T later this year with Huntington National Bank, a regional bank based at Columbus, Ohio.

The service is aimed mainly at home banking and home shopping applications.

AT&T envisages that the services on which users will be most keen will include transferring cash between accounts, reviewing their cheque payments, paying bills and checking investment rates.

The prototype of AT&T's smart phone – the name is generic and attempts to trademark it have been blocked – has an angled touch-screen measuring 6 ins. by 4 ins. and plugs into the telephone line through a transformer to provide the power to light up the screen.

Its internal memory maintains programs for a year, in the event of a power cut. Inside, the smart phone is said to look almost exactly like a PC. The touch-screen displays columns of autodial button images which form a menu-driven system similar to that of a PC.

For instance, an autodial button might call up a range of pre-set services, ask the user to choose one and then automatically call that number. The touch-screen can also be configured as a keyboard in several formats for entering data.

The smart phone will also offer the range of facilities that are provided by today's feature phones in a more accessible format. It will be able to store over 200 telephone numbers.

AT&T's version has a built-in modem which allows the phone to communicate via a service platform of hardware and software with the computers of a bank, travel agency or other service provider.

A key element is the protocol for communication between the smart phone and the service platform. AT&T says it is considering placing its protocol in the public domain to encourage the development of the market.

Mr Mike Grisham, AT&T's strategic planning manager at Bell Laboratories in New Jersey, has been leading the company's smart phone project since the early 1980s.

He believes that AT&T will be first to market with the new machines, but others will not be far behind.

The manufacturers say it is hard to predict when the smart phone will become a mass market. The key to creating that market appears to be agreements between the manufacturers and potential service providers. AT&T is at present in talks with some such companies in the US, Europe and Asia and plans to launch experiments in Europe in 1993.

European manufacturers such as Philips and Alcatel are expected to join the market soon after. Their machines may well have very different designs. Far Eastern manufacturers are expected to follow and help to bring down prices, which will be crucial.

George Black

STOCKBROKERS FIND BETTER WAY TO UPDATE CLIENTS

IN today's competitive financial market, NCB Group, the Dublin-based stockbrokers – along with similar institutions – is exercising tighter cost-controls across its operating divisions, writes Michael Wiltshire.

In common with many financial houses, NCB regularly sends information and newsletters to its clients which include a wide range of Irish multinational companies, private businesses and substantial private investors.

NCB is one of the first financial institutions to apply the advanced technology of AT&T's "EasyLink" services. Every Friday, two newsletters bringing clients up-to-date with key developments are sent to hundreds of companies in the UK, Europe and the US - one deals with equity business and the other with Irish and international bond markets.

A typical newsletter would run to about three pages with commentary, prices changes and other data.

NCB newsletters are sent electronically to customers each Friday

Before the introduction of Enhanced Fax to the operation, just over a year ago, NCB used a fax card in a PC to communicate the weekly update to its clients. Although adequate, NCB found its original system time-consuming and costly.

As Noel Doyle, the telecommunications manager at NCB, points out: "Using a fax card in a PC was a feasible way of communicating with a small to medium-sized client-base, but as we grew and numbers increased, this method became cumbersome."

NCB has found that the application of AT&T's Enhanced-Fax has brought cost-savings and cut administration time. The company simply keys in the list of its customers into a "mailbox" node at EasyLink, where it is stored.

Since the list is held at EasyLink and not in the PC, time spent on the line sending the fax, is reduced considerably.

The Enhanced-Fax "broadcast" facility uses AT&T's dedicated international fibre-optic network. The digitised transmission has an automatic error-correcting protocol which ensures a higher-than-normal quality of transmission.

NCB staff no longer have to undertake a laborious Monday morning routine of manually scanning for transmissions that failed to be sent, if, for example, the receiving fax terminal was not in operation.

With E-fax, the days of cross-checking more than 200 fax deliveries are over, since a fully comprehensive report is issued to NCB indicating any faxes that remain undelivered.

IN BRIEF

Lost calls mean lost business

A COMPANY with an average sales revenue of £25 per call, losing only ten calls a day through operators being busy or absent, will have lost a potential of £5,000 in a month and £60,000 by year-end.

The recognition by the business community of the importance of effective call-management to their service performance – and hence their profitability – is reflected in the growth of the automatic call distribution (ACD) marketplace.

Philips Business Systems, says that service-led companies – which now account for 59 per cent of Britain's total Gross Domestic Product – face potential revenue losses of millions of pounds a year because they answer the phone inefficiently.

ACD systems reduce waiting times and spread the workload more evenly among operators. Apart from giving call-traffic flexibility, they also generate valuable management information for such service-led businesses as banks, airlines, travel agencies, hotels, booking agents, mail order and credit companies.

Mr Stewart Judd, senior policy adviser at the Confederation of British Industry, says that as the UK's economy becomes increasingly meshed in the information age, "many businesses have become more dependent on the speed and effectiveness with which they answer queries and provide quotations, demonstrating that the organisation meets the highest standards of quality and service."

Research by Philips shows that a business handling more than 200 calls a day would normally recover the cost of installing an ACD system within six months while increasing the productivity of phone operators by around 30 per cent.

The type of companies that benefit most from these systems are:

- Where there is a group of people mainly taking incoming calls.
- When customers want a service, not a person.
- Where there is a need for performance indication.
- When there is a need to balance the call-load.
- Where incoming calls generate revenue.

Restructuring assignment in Bulgaria

TOUCHE ROSS, the UK management consultants, has been awarded an £880,000 contract to assist in the redevelopment of the telecommunications market in Bulgaria. The project, part of the European Community's PHARE programme to fund reconstruction in central and eastern Europe, will be carried out in conjunction with the Danish Telephone Company.

Touche Ross will make a financial review of Bulgarian Post and Telephone Company and project its performance over the next five years. Their findings will be passed on to the European Investment Bank and the World Bank.

The consultants' tasks are also to assist the Bulgarian telecommunications authority to set a new tariff structure and to put in place a new, commercially-orientated financial management system to replace ageing and inadequate practices, allowing the Bulgarian company to monitor its performance in the new commercial environment.

Fax costs not well controlled

THIRTY-ONE per cent of respondents to a survey of FT Top 500 companies have increased their usage of fax systems over the last year, despite the recession. And 91 per cent believe that fax machines have helped to increase their productivity.

Regular fax users among the FT Top 500 companies and the US Fortune 500 companies now send an average of 40 documents a day, with UK companies receiving an average of 61 documents a day.

These are some of the main findings of a Gallup international survey of fax usage, commissioned by Pitney Bowes, a leading independent supplier of fax machines.

Fifty per cent of UK users have thermal fax machines: among respondents who do not have a plain paper fax, 29 per cent wanted such a machine (53 per cent in the US and 32 per cent in Canada). The survey also shows that costs of faxing were not well-controlled – "while fax usage has increased considerably, operational costs are not being controlled," says Meredith Fischer of Pitney Bowes.

"Thermal paper, for example, is relatively expensive, tends to fade and has to be copied if it needs to be kept. At about 1.7p per copy for paper and toner, that can add more than £950 a year per machine."

In the UK, 94 per cent of transmissions are made during normal business hours, with 27 per cent likely to sent in the morning at peak charge rates – despite features such as delayed transmission which enables non-urgent documents to be sent at off-peak rates.

Frustration over "faxlock"

FRUSTRATION arises in many offices when staff try to send fax messages to busy fax machines – a problem sometimes known as "faxlock" which can prove expensive in terms of lost orders and business opportunities.

But with computer fax systems, the fax message does the queuing, not the expensive office worker.

Ascom Telecommunications of Camberley, Surrey, have made a cost comparison between sending faxes manually versus computer-faxing. Even assuming that the machine is not busy with an out-going or incoming message, it can take about 10 minutes to send a fax manually, once it has been prepared.

So, if the salary of the sender is £10 an hour, each fax can cost £1.60 in manpower alone – and any business sending 25 faxes a day will waste £40 a day or £10,000 a year.

Buying more fax machines is the easy palliative for "faxlock," but it does not address the underlying problem, says Peter Champion of Ascom – "the answer is staggeringly simple: let the computer itself send the fax ... instead of printing it out on paper, and then having expensive people queue up to feed it into the fax machine."

Phone system for small businesses

A TELEPHONE system suitable for small offices and business has been launched by BT - the "2+8" system, offering two lines and up to eight extensions was trialled on a wide range of businesses such as doctors' practices, dental surgeries, farms, dairies, print shops, leisure centres and homes for the elderly.

While offering the benefits of a large "start-of-the-art" switchboard, the easy-to-use "2+8" is a fraction of the cost of larger systems – prices start at £445, although a typical 2+8 system with lines, four extensions and a "systemphone" (which allows users to take advantage of advanced features) costs £862, plus VAT.

Ann Brosnan, BT's voice products manager, says: "The price of the 2+8 and the fact that it can be used with ordinary telephones mean that a customer can go from having no telephone at all to having the best on the market without any significant investment.

"The aim is to give users real freedom as to how they set the system up – whether they want to buy, rent or lease."

Features of the flexible system include universal line access (for fast call-making and taking by any extension); operator control; a dedicated line; intercom calls, using the systemphone; and hold/transfer/enquire facilities.

Michael Wiltshire

Video-conference network saves hundreds of man-hours for Citibank

Transatlantic link offers big benefits

CITIBANK'S European headquarters in London is to upgrade its international video-conferencing facilities to provide pictures to near-broadcasting quality.

Video links have now been established with the bank's offices in New York and on the west coast of the US, as well as the Middle and Far East. Frequently, as many as 12 Citibank staff in London take part in transatlantic face-to-face video-conferences, with a similar number taking part in New York. The bank saves an estimated 300 man-hours of travel time by a single meeting of this kind.

Citibank, a subsidiary of Citicorp, one of the world's largest financial institutions with assets of $230bn, has representation in 100 countries with 800 branches in Europe, alone.

Prior to the setting up of the video-conferencing network early last year, senior officials at Citibank's London headquarters found it very difficult to find time for essential meetings with colleagues in the bank's head office in New York.

Howard Mills, head of graphics and audio-visual support services and George Blake, voice and communications manager, were made jointly responsible for setting up the video-conferencing facility when the decision to install the system was made during the Gulf War crisis. A video-conferencing network was already operated by Citicorp in the US, but the threat of terrorist activity during the Gulf crisis meant that Citicorp executives – like those of many other US corporations – were grounded.

Mills and Clarke were given the task of setting up the video operation in London as quickly as possible; the contract for the work was given to Internet Technology of Bristol.

Internet also supplies video-conferencing solutions throughout Canada, via its subsidiary, Internet Technologie, based in Montreal.

The company is also UK distributor for Compression Labs, a leading supplier of video codecs, the devices used to compress and digitize video and audio signals for transmission over standard digital telecommunication circuits – a technique that dramatically reduces transmission costs.

The new network won immediate acceptance by London executives and has since proved "a very viable alternative to expensive and time-consuming transatlantic travel," say users.

Citicorp's chairman in New York has used the link to address groups in London. And recently a cable run from the studio to a video projector in the Strand office's restaurant enabled a gathering of 150 Citibank staff in London to exchange views with the head of the corporation.

The London studio can set up a video link with only about an hour's notice. The facility, which is used for about 70 hours a month, will probably attract even more users after the upgrading project is completed.

Michael Wiltshire

Satellite networks cut costs

COMPANIES needing high quality telecommunications at lower costs are increasingly considering services provided by satellites, particularly in the US.

Ninety per cent of the costs of running an integrated satellite business network (ISBN) is fixed and predictable, claims Hughes Network Systems which provides networks for companies to communicate through data, voice and video to remote sites.

Hughes - a subsidiary of the Hughes Aircraft Company in the US - has developed VSAT (very small aperture terminal) technology, using small dishes for two-way communications.

Equipment at remote sites supports a variety of user applications, via packet-switching and local area network technology, plus business TV reception. Typical users in the US include Chrysler, the car manufacturer; Wal-Mart Stores, the national retail chain; and Chevron, the petrochemical company.

In the retailing sector, VSAT technology is being applied at "TV Answer," the interactive video pioneer at Reston, Virginia. Hughes are installing 1,000 satellite terminals for the company, to allow TV viewers across the US to access their bank and brokerage accounts and respond directly to broadcast promotion offers.

"Once it was something of a dream to be able to retail via consumer TVs," says Hughes. "Now, with the systems similar to those at 'TV Answer,' it's a reality – and, because it's a low-cost satellite system, it could now be applied quickly in Britain without high level investment."

Audio-conferences in stereo-quality sound

Continued from page 7

encing. Bridges are modular in concept, starting with a five-line bridge costing £3,000 that can connect five locations into the conference.

There is no theoretical top limit to the number of bridges that can be provided. The limit comes with meeting dynamics. BT tends to find that the optimum size using their computer controlled bridge, the PC Elite is 40 lines. As to operating costs, through the bureau service the average audio-conference call charge is between £25 for local area point-to-point call and £85 for an international call. Obviously, calls from user premises will be at the normal telephone rate.

According to Malcolm Bartlett of NEC (UK) Telecoms Division, the cost of the equipment could be covered if just two executives can avoid having to cross the

Developments in audio-conferencing as a business communications technology are continuing apace. Enhanced facilities will enable an operator to take control of conferences, bringing people into a meeting and taking individuals out as the conference progresses; send faxes to each participant simultaneously; and use the keypad to access a bureau service, as and when required.

The availability of ISDN (the integrated service digital network) adds further dimensions to desktop-to-desktop audioconferencing. Among the benefits will be stereo-quality sound, since ISDN provides a 7Khz frequency range compared with the 3-4Khz maximum offered by public switched telephone network (PSTN), with no crackles on the line to drown out speech.

Also, it will be possible to have audio with simultaneous multimedia transmissions, using one of the two 64K channels on the ISDN line for voice and the other for fax or data transmissions.

Julie Harnett

ISDN

Milestone for integrated services

After twelve years of promises and many missed deadlines, it looks as if ISDN, the Integrated Services Digital Network, really will be 100 per cent deliverable throughout the UK by the end of 1992, as a full national dial-up, integrated voice and data service, says Julie Harnett

THE important milestone for ISDN in Britain will be reached when all BT switching centres are digitised and the so-called C7 signalling programme has been completed, with Mercury and BT ISDN networks fully interconnected.

Another milestone will be reached in 1993 when the Normes Européennes des Telecommunications (Net) ISDN standard is implemented, creating one common European ISDN network with all systems operating to the same *set of regulations*. This will enabled companies to use the same ISDN equipment throughout Europe.

ISDN is available to all businesses in France, Germany, Japan and Singapore. In the UK, it is available to 86 per cent of businesses and 78 per cent of homes, with users currently able to connect to 24 networks in 16 countries.

In the US, according to Bellcore, *availability now is* 40 per cent of all phone lines, with 60 per cent not *expected to* be reached until 1994.

But while *some say ISDN* is one of the most important developments in telecommunications since Alexander Graham Bell invented the telephone, sceptics say it is a solution looking for a problem and will take up to 10 years before it is accepted by the *wider community, if ever.*

Take-up has been slow to date but, without the all-important infrastructure, that was to be expected. Many potential suppliers argue, however, that the problem is a deeper one.

As Don Winston, general manager and vice president of modem manufacturers, Microcom UK points out: "Take-up *of ISDN will not happen until* it can offer customers benefits they do not already have, or something they have but for less money.

At the moment, it does neither. As a result, the dial-up modem business is still growing by 25 per cent a year, with modems capable of transmitting data at 57.6kbps (kilobits per second), not far off *ISDN's* 64kbps.

"When the CCITT (the Comite Consultatif International Telephone et Telegraphe) has finalised the V.Fast standard, transmission *times will be pushing close to* 100kbps. If ISDN is the way to the future, why are such techniques even being considered?"

Reid Meintzer, director of sales and marketing at dealerboard suppliers, IPC Information Systems, believes lack of enthusiasm for ISDN among communications managers in the City of London is largely *the fault of manufacturers who* rushed into the marketplace with products that were not ready.

His point is echoed by Peter Edmondson, product development manager of fax suppliers, Canon UK, *who also lays the* blame partly at the door of the media: "Over the past 4-5 years, expectations have been raised too high. It is almost here now and it is a useful practical tool, if there is an application for it. The point about ISDN is not that it can be used for data communications without the need for a modem, but that it provides the infrastructure to support a whole new generation of integrated computer and communications applications, enabling us to communicate in ways we have not even dreamt about yet."

The ISDN connection

An ISDN connection is made up of two types of communication channel: bearer channels (called B-channels), each offering 64Kbps capacity transmis*sion rates to carry information* from terminal to terminal; and 16kbps signalling channels (called D-channels) that carry *the messages that establish* and control the call.

Primary Rate ISDN30, also called 30B+D in Europe (23B+D in the US), is used mainly for voice calls by large companies with advanced telephone systems (ISPBXs) and provides a 2mbps (megabits per second) interface to the digital network.

Facilities and applications

ISDN2 and ISDN30 both offer certain facilities that are not possible on the conventional PSTN (public switched telephone network). They include calling line ID; sub-addressing *for routing calls to a particular* terminal; call diversion; and three-way calling.

However, before making an investment in either service, businesses would need to justify the application. For the true benefit of ISDN is not simply that it offers improved features, higher quality speech and more sophisticated routing *and connections; or even that* it offers higher speed, error-free file transfer with high speed call setup.

Its advantage is that one network can support multiple applications, with users able to transmit speech, data, graphics and video communications over a single line and to plug any type of terminal into one type of socket.

Up to eight terminals can be connected to each ISDN2 line, with two items able to communicate simultaneously. Also because one network can be used for multimedia applica*tions, rather than two or three* different networks, time and cost spent on network management and maintenance is reduced.

ISDN, together with intelligent switch software, also enables the creation of sophisticated services such as virtual private networks (VPNs).

New equipment

A range of equipment is now being made available by equipment suppliers, often with assistance from BT on issues such as standards, approvals *and marketing.*

On the BT list of companies which can supply Terminal Adapters (TAs) with full BABT approval are Craycom, Dataflex, Fivemere, Gandalf, Gravacom, IBM, Jaguar and Newbridge Networks.

Slot-in line cards which transform personal computers into ISDN terminals are available from Fujitsu, Maxim Networks and Network Designers. *Group 4 fax machines are* available from BT, HCS Infotec and Ricoh. Video-conferencing is available from BT, GPT and PictureTel.

There are a number of collaborative ventures under way *to supply multifunction and* multimedia ISDN-compatible terminals. Olivetti and BT, for example, have signed a joint development agreement which will address the needs of banks and financial institutions, with trials starting this summer in the UK and other European countries.

Telecoms system manufac*turer GPT has* worked with modem manufacturer Hayes Microcomputer Products to produce the Connect ISDN terminal which offers plug-in connection for personal computers.

This makes it possible for any machine with a serial port to transmit down an ISDN 2 line at 38kbps; with an optional *X.21 interface making possible PC transmission* at full 64kbps, as well as Group 4 fax or videophone transmissions.

Modem manufacturer Dataflex Design and Symicron have collaborated to provide an ISDN TA that offers X.25 connection to ISDN 2 service from a standard PC card. Not content just to announce an ISDN *product, Dataflex Design ran* tests at a public exhibition to compare the times taken to transfer a 50,000-byte data file desktop to desktop over the two main networks.

Using various modems for connection to the PSTN, it took between 26 seconds and four minutes to transfer the data plus up to one minute to estab*lish a satisfactory link. With* V24 TAs over a BT ISDN2 link, it took 15 seconds plus one second to establish a constant error-free link.

For users sending data files on a regular basis, the transmission cost savings could be substantial, despite the premium paid for the ISDN connection. Keen to encourage more business users to move over to ISDN, BT has just launched a range of low-cost TAs manufactured by Northern Telecom, priced at around £1,395.

Aimed at small businesses, *telecommuters, retail outlets* and educational establishments, they will allow users to connect personal computers, point-of-sale terminals, LAN servers, multiplexers, fax and video-conferencing equipment to the ISDN network without having to re-invest in new equipment.

Power computer users

Sun Microsystems is targeting the power computer users in the fields of engineering and design with their new SPARCstation 10. While it is not the *first-ever integrated data/voice* workstation, it is said to be the first of a new generation of desktop systems with built-in ISDN capabilities.

The reason for the development is that Sun believes ISDN will become as prevalent as Ethernet is today and is, thus, the logical choice for integrating computers and telephones into a global, standardised digital network. By adding tele*phony control to the desktop* computer equipped with a graphical user-interface, ease of use by all is assured.

The costs of ISDN

*While ISDN gives users flexi*bility in the type of terminals that can be used and the type of communications traffic that can be transmitted, the costs of the service in terms of connection charges and rental costs will be critical to widespread acceptance.

There will, for example, be a break-even calculation to be *made to determine whether the* digital public switch network or private circuits would be better for corporate users. A rough guide is that, if the lines between two points are in constant use throughout the day, it makes sense to have a dedicated link, because calls are free of charge.

However, if the links are *only in operation part of the* day, a fixed link is an expensive option. BT makes a connection charge of £400 for *ISDN2 (for 2 channels) with a* quarterly rental charge of £84. ISDN30 is charged at £152.75 connection and £32.12 per quarter per channel (minimum 30), with extra charges for each facility required. Call charges *per channel are at the normal* voice rate for inland calls and higher for international data calls. A private link between, say, London and Aberdeen *would cost £8,692, including* the £920 connection charge in the first year; £7,772 for rental only in year two. To reach that cost level using ISDN, you would need to make 121 standard rate (91 peak rate) three*minute ISDN2 calls* a day *in* the first year and 1,114 standard (86 peak) in year two. Assuming a 5-day week and a 52-week year, it would cost £1,310 a year for 20 average 4-unit duration ISDN calls per day at standard rate, £3,932 a year for 60 and £10,486 for 160 a day.

Mercury's offer

Many product suppliers have voiced their disappointment at BT's charges, perhaps hoping that there would be concessions to kick-start take-up. By the end of 1992, *greater* competition from Mercury may be the spur. While BT offers either ISDN2 or ISDN30, Mer*cury is about to offer a lower* entry point for medium-sized business. Charges will be £1,380 for installation and *£1,710* annual rental, with each line thereafter costing £92 to install and £114 annual rental.

When you get to 30 lines, the cost is £2,760 for installation (a saving of £405 on the BT charge) and £3,420 per year *rental (an 11 per cent annual* saving).

New world of communication for deaf people

DEAF people who use text-phones now have a new world of communications opened up for them with the introduction of "Typetalk." The telephone/text service, *developed jointly by the Royal National* Institute for the Deaf and BT, with £4m BT funding over three years, *was launched this month.*

***Pictured above, left,* is Tricia Parry, an operator who converts the spoken word into writing in the Typetalk switchroom at Speke, near Liverpool.**

Pictured right is Dr John *Stuart, who — thanks to* Typetalk — *is now able to* carry out his work more quickly and efficiently. Dr Stuart, who is the hazard information officer at Manchester University, reads incoming *conversation on the screen* of his terminal, but uses the mouthpiece to speak directly to the caller.

***Typetalk calls are relayed* to and from text-users through the UK to hearing people worldwide. The new service is available round-the-clock as specially trained operators relay text messages to hearing *customers and return the* spoken reply by text.**

***In most cases, the cost* of the call is no more than a hearing person would pay by calling direct.**

There is a rebate scheme, funded by BT and operated by Typetalk, entitling users to claim back 60 per cent *of the cost of non-business calls from one phone line,* up to a maximum of £160 per person a year.

☐ More details on the service are available from Typetalk, at Pauline Ashley House, Ravenside Retail Park, Speke Road, Liverpool, L24 8QB

Michael Wiltshire

Trading data with business partners

Orders at the press of a button

EDI (*electronic data inter*change) systems, which rely on telecommunications, can create information networks between retailers and manufacturers, allowing both to align their operations more closely to sales patterns.

These networks replace laborious paperwork by transferring orders and invoices between computers in the retailer's depôt and those in their supplier's warehouse — all at the press of a button.

Users of these systems range from high street food retailers to air-cargo operators, as appli*cations have developed rapidly* over the past two years, according to Ovum, a consultancy specialising in telecommunications market and policy work.

In its latest EDI market forecasts for Europe, Ovum suggests that growth is close to 45 per cent a year. Although the UK has led the way in EDI applications, the rest of Europe is catching up fast.

Two years ago, Britain accounted for 60 per cent of European EDI-users. Now, the proportion is down to 40 per cent.

This trend is *expected to* accelerate sharply with the wider European market as companies, large and small, realise the benefits of using EDI technology.

The number of users in the UK was 12,000 in 1991 and is expected to reach 65,000 by 1995 according to both Ovum *and BIS Strategic Decisions.* The latter further projects that the number of European users will have reached 110,000 by 1996.

Only about two per cent of European EDI traffic is international — both within and outside of Europe — according to industry analysts.

Nevertheless, international traffic *is likely* to grow *faster* in Europe than elsewhere due to the progress of European trade initiatives.

Sending orders and invoices electronically between companies is now a crucial facility for *many business sectors*

The EC's Trade Electronic Data Interchange *systems* programme, TEDIS (launched in 1987) was instrumental during its three-year span to 1990 in creating the infrastructure for the launch of the EDI concept in Europe.

The second phase, lasting until 1995, is supported by an EC budget of Ecu 25m and will consolidate the advances made *in the fields of standardisation*, telecommunications, law, security and services in general.

Ovum, in conjunction with Belgium consultancy, XCOMS International, has been awarded the TEDIS European EDI Inventory Project.

This will gather data from a number of organisations, both *national and international*, currently engaged in EDI activities.

The information will be computerised and updated during the 3½ years of the TEDIS II programme.

The outcome should be be the most up-to-date and reliable source of EDI information: this database is designed to become a standard reference point for EDI developers, service providers, public bodies and private companies throughout Europe.

Information from this project could well be of immense value *to potential users and thus* boost EDI usage.

In the UK, INS and AT&T Istel, dominate specific sectors — the former being the key player in retail and distribution; the latter in manufacturing.

The INS "EDI Community" has a membership of 3,252. Its list of members is classified into "trading clusters," i.e. organisations using INS' EDI Services to exchange commercial documents.

However, one of the problems in this apparently neat and tidy classification is that *many companies on the list actually use its services to* trade electronically with several trading clusters. Thus, INS recognises that industry-by-industry vertical demarcations are breaking down even though there is no universal inter-connectivity.

The challenge, according to Michael Naughton, chairman of Applied Network Research, is "*the 80/20* rule of *EDI* — 80 per cent of your transactions are with 20 per cent of your suppliers. But, what about the remaining 20 per cent — do they stay manual?"

The trading partnership *between MD Foods and Tesco* is a good example of the upside of that rule. One of the world's top dairy producers — the Danish company, MD Foods — was the first of Tesco's overseas suppliers to join the growing EDI community by taking advantage of INS-Tradanet's international facility.

It is owned by the 14,000 diary farmers who annually supply it with 70,000 tonnes of butter (its Lurpak butter accounts for nearly 20 per cent of the UK market), as well as more than 200,000 tonnes of *cheese.*

Though electronic trading is not new to MD Foods, the company's marketing systems manager Aksel Poulstrup points out: "Electronic data interchange is very important to us. Tesco is the first of our *international customers to* trade electronically with us, but we're keen to extend the use of EDI to other retailers in the UK and Europe.

"In doing so, we can capitalise on the substantial technical benefits that we have already seen on a domestic scale."

Even though it is relatively easy to extend its utility by *adding additional* users and services, the down-side of the rule, is the cost of entry for newcomers — especially in management time.

As Digital points out: "The key to successful EDI imple*mentation is careful planning.* Technology alone is not enough.

"EDI implementations require 80 per cent management focus and only 20 per cent technology focus. Without the right approach, the process can be slow and adversely effect your business efficiency."

Thus, as with computers systems in the past, the blind adoption of technology will not always guarantee the benefits needed to compete in the marketplace.

Adrian Morant

'Super-carriers' target corporate communications sector

Fierce battle among global players

With the announcement last year of its US-headquartered Syncordia venture, the UK's BT fired the first shot in what experts say will become an increasingly ferocious battle for the private telecommunications business of the world's leading global corporations.

The international private telecommunications sector is valued at nearly $3bn and is growing annually at between 15 per cent and 20 per cent. Ironically, this market came into being in the first place as a result of the failure of public network operators to provide adequate solutions to the specialised communications needs of large corporate users. Now the public carriers are trying to claw back this lucrative business.

Based in Atlanta, Georgia, Syncordia was originally intended to marry the talents of BT with those of its German and Japanese counterparts, Deutsche Bundespost Telekom (DBT) and Nippon Telegraph and Telephone (NTT).

The plan was that this "super-carrier" would divide up the leading US, European and Asian Pacific markets between its members, offering "outsourced" packages for the management of existing private networks, and the construction and operation of new ones.

As well as end-to-end management and round-the-clock, multi-lingual customer helpdesks in a number of centres around the world, Syncordia's repertoire was to be extended to include international cashless calling, worldwide private numbering and mobile services for corporate users.

"We have great ambitions for Syncordia," said BT chairman Iain Vallance at the company's launch. "We intend to be the leading providers of outsourced networking services and we intend to set the industry standard for those services."

The ambitions remain, but the effort to expand Syncordia's membership did not pan out as its progenitors intended.

While discussions about NTT's membership continue, DBT has broken away and, with France Telecom, formed a rival enterprise known as Eunetcom. BT is now in discusion with one of the US long distance carriers with a view to replacing DBT.

Some observers believe that additional partners are vital to establish Syncordia's credibility with the biggest of the corporations it is targeting. Bert Roberts, president of the US carrier MCI, argues that any outsourcing venture will fail in the all-important US market if it does not include a US partner.

A different view is taken by some of BT's senior management who think that BT can go it alone in Syncordia. No doubt Syncordia's recent success in picking up a reported $30m contract to manage some of IBM's European data network business, together with the growing volume of business handled by BT's existing, solely-owned international managed network business, dubbed Global Network Services (GNS), lends some weight to this belief. Two new additions to the GNS client list are the Gillette Company and J.P. Morgan.

Public network operators are trying to claw back business from the international private telecom sector which is valued at nearly $3bn and growing at between 15 per cent and 20 per cent a year

Regardless of whether Syncordia has one owner or several, achieving success in the outsourcing marketplace will require cast-iron commitment and a very persuasive sales pitch.

Potential competition is on the increase. Not only are general purpose carrier alliances forming, including Eunetcom and the Swedish-Dutch enterprise called Unisource, but industry-specific partnerships are looking at wider possibilities.

One such is the Financial Network Association (FNA). This was formed by twelve carriers in March to offer a range of private and public services to the international banking and finance sectors.

Belgacom, the Belgian carrier which could sign up with Unisource after the middle of the year, is a founding FNA member. Belgacom director and chief engineer Joris Clareboudt believes that the lessons FNA learns in servicing the financial community could later be applied to other types of user.

Another contender is the Scitor subsidiary of the airline telecommunications service organisation, Societe Internationale de Telecommunication Aeronautiques, (SITA).

Set up in April, it is now offering managed data network services alongside its portfolio of value-added services and electronic messaging products.

As the number of players on the field increases, the potential for business failures in the outsourcing sector will grow. This may prevent some would-be corporate customers from farming out their network operations until the sector is better understood . . . and less populated.

Undoubtedly, Syncordia and other super-carrier outsourcers will be able to tweak their rates and system features to be highly competitive with those of privately-run networks. They will also have superior resources to resolve the increasingly complex technical and contractual telecommunications choices facing businesses operating internationally.

However, many telephone companies still suffer something of a credibility gap with their would-be customers. In a survey of 20 large international corporations and organisations carried out by the UK's Yankee Group consultancy two years ago, some of the respondents already used third parties, such as GE Information Services and Infonet to provide certain network services and resources, but none was prepared at that time to outsource any significant portion of network management to a public telecommunications carrier.

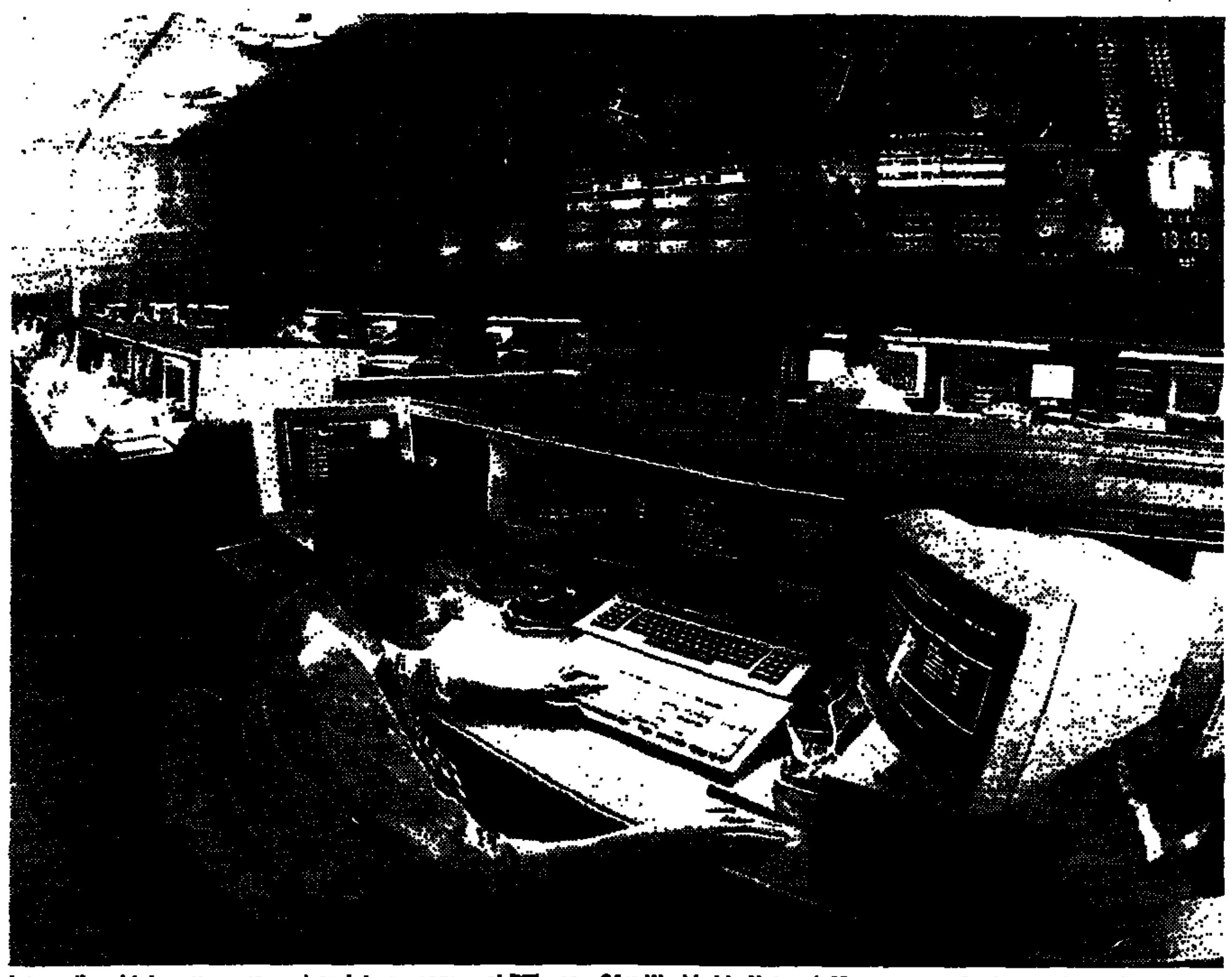
One user summed up the view of those who were sympathetic to outsourcing: "We're interested in sharing management (with a third party), but it would have to be cost-effective, and we'd have to keep enough people to ensure we knew when the suppliers were lying to us . . . and we'd have to be able to take back control at short notice if we felt that was necessary . .

"We don't really expect to see carriers develop this capability for another five years."

As well as overcoming scepticism about their competence, carriers must sell the outsourcing concept initially to corporate communication managers, a body of individuals whose status, if not livelihood, could be adversely affected by the decision to buy outsourced services.

Some consultants have queried the basis of the super carriers' stated business case. In addition to recognising that not all the players currently trying to enter the global services market will succeed, a new report from the UK's Analysys consultancy advises caution on the part of putative customers.

Susan Ablett, the report's lead author, says that the pace of technological change and re-regulation ". . . means that long-term agreements negotiated now may not be to the advantage of the user within a matter of one or two years."



International telecom nerve-centre: duty managers at BT's new £4m Worldwide Network Management Centre can instantly pin-point trouble spots and remedy problems, thus protecting networks against congestion. The centre at Oswestry, Shropshire, features a constantly-changing video wall of maps and charts — 25m (80ft) long, the largest video wall in Europe.

As the Syncordia experience demonstrates, the construction of super-carrier alliances is not necessarily straightforward. Klaus Grewlich, director general of the DBT's international affairs department, has noted that some carriers are competing with each other to provide end-to-end services for some global customers, and trying to co-operate with each other to bring the optimum spread of services to other customers. With a degree of understatement, Grewlich characterises this delicate balancing act as "stimulating."

Last, but not least, the super-carrier idea faces an uncertain regulatory future. In 1989 the European Commission's Directorate General IV (which is responsible for preventing unnecessary restriction of competition through monopoly or cartel creation), forced the cancellation of the MDNS managed data alliance planned by 22 European telephone companies.

More recently, the same body has required the Infonet data operation, which is jointly owned by some of Europe's leading carriers, to open its accounts for public inspection to ensure that it is not in receipt of cross subsidies which give it an unfair commercial advantage.

So far, regulatory intervention in the super-carrier marketplace has been a European phenomenon.

The odds are that this will not be the case for much longer.

John Williamson

The writer is International Editor, Telephony Magazine

CHARGECARDS

Still only the tip of the iceberg

If your wallet is already bulging with bank cards and your head has been tied in knots by different personal identification numbers, you might not take kindly to BT's suggestion that your life would be made easier with one of its Chargecards.

But this is the message that Beattie has been putting over to television audiences for the past year. And judging by Chargecard subscriptions, the message has been getting through.

BT has supplied 700,000 Chargecards since January 1991, having distributed only 500,000 cards in the previous five years following its launch in 1986.

BT believes that this is still only the tip of the iceberg. It wants people to view the Chargecard as an extension of their home or office, using it to access other services such as voice or electronic mail and facsimile.

Mr Tony Vardy, BT's director of service development, acknowledges that most people still associate Chargecards with public payphones. The point that Beattie was making in her Chargecard commercial is that you can use the Chargecard from any phone and the call will automatically be billed to your home or office account.

In the advert, Beattie wanted to make a call from a clothes shop and had to reassure the shop assistant that using the shop's private phone did not mean that it would have to pay.

Chargecards are free, like credit cards used to be. They look like bank cards, with the cardholder's name, his or her account number and an expiry date.

When you need to make a call, you dial 144 on those phones which have number pads, and get recorded message which asks you to tap in your PIN, and proceed to make your call.

Calls made with a Chargecard are billed at the same rate as public payphones, which is more than if the call is made from your home or office.

When BT first launched its Chargecard service, calls had to be routed via a BT operator. If you still have a phone that uses the old dial mechanism, you still have to use an operator. This makes the Chargecard more expensive and slower than using the new system.

Increasingly, BT is looking to the Chargecard to increase its revenues from people calling home while they are away on business or on holiday. Abroad, the card can be used in the same way as in the UK. It can avoid problems of finding the right coins to make calls, and can save money for those people who usually make calls from hotels – which often charge four to five times the standard rate.

The Chargecard can be used from 63 countries around the world, but it is not yet possible to call a third country using a Chargecard. If you were in Milan and needed to make a call to Paris, you would either have to use a public payphone or phone from your hotel room.

Callers can use the Chargecard from any phone and the call will automatically be billed to their home or office account

However, three American telephone companies, American Telephone and Telegraph, Sprint and MCI, have launched services for third party calling for their American chargecard customers in the past few weeks. BT hopes to start offering a similar facility to its Chargecard customers this summer. It will be called UK Direct.

The improved ease of use and the new UK Direct service have combined to make the Chargecard a more attractive service than when it first came out. But there is one aspect of the service that is giving considerable cause for concern both for BT and other operators of chargecard services.

Fraud affects BT's Chargecard service as much as it does banks with credit cards. When a Chargecard call is made, the caller has to tap in his PIN on a number pad in the same way as you would enter enter your PIN number at a cash dispenser.

If someone sees the number you are dialling, he can use it to make calls that will be charged to your account without even needing to use the card.

At airports and railway stations where there are likely to be a number of Chargecard users, fraud has become big business and when a PIN is obtained, it is rapidly passed on to a number of people ready and waiting to make costly overseas calls.

BT reckons it has cut down fraud by "putting up warning flags" when a Chargecard holder makes calls that do not coincide with his normal calling patterns. But fraud is still a worry and will have to be eliminated if users are to have the confidence to use Chargecards for new services that often involve sending and receiving sensitive commercial information.

The Chargecard is not the only piece of plastic that can be used to make calls. Both BT and Mercury Communications, its domestic rival, have pre-paid phone cards as an alternative to coins.

Calls can also be made with credit cards and an agreement between BT and Visa last month means that the benefits of the Chargecard will be extended to owners of Visa cards worldwide at the start of next year.

Part of the thinking behind this is that "people who come to the UK don't make anywhere near as many phone calls as we'd like them to," according to Mr Vardy. The VisaPhone service, as it is called, will permit visitors from abroad to make calls from telephones in the UK which will be billed to their Visa card in the local currency.

BT may embark on similar ventures with other leading credit card companies in the future. But BT still sees itself "working with, rather than competing against, credit cards," according to Mr Vardy, and will not follow the example of American Telephone and Telegraph in the US which has set up a joint venture with American Express to supply cards that combine the functions of chargecards and credit cards.

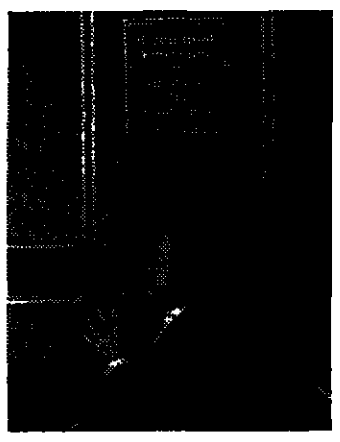
Mark Newman

You've done everything you can to improve cash flow.

Positive?

THERE MAY BE ONE AVENUE which, as yet, you've not fully explored: communications. There are obvious ways in which it can help – like calling to chase payment – and unexpected ways like the ideas on this page.

They were culled from over 2,000 interviews with business people to probe how communications can help with the issues businesses face today. They show that a positive approach can help keep your cash flow positive.



Forms UK plc.
Colin Davies, Chief Executive Officer.

"ELECTRONIC MAIL IS WHERE THE FUTURE IS – the distribution of information to everyone's desk. We use it very effectively – to the factory, suppliers and so on, which saves us having to type it out, send it out, photocopy and distribute it manually. Over a year, that's a lot of time and money saved."

~

Lyndoe Holdings plc.
Mikal Lyndoe, Chief Executive Officer.

"We use the fax to encourage prompt payment, and we find that people pay faster than their standard terms of business. We've got it down to about 21 days, instead of the normal 60.

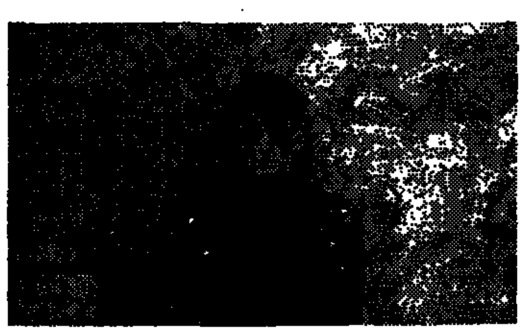
Our method is to increase the size of the type with each successive fax. We start at around 24 point, which grabs attention. If it doesn't work first time we fax again in **BIG BOLD LETTERS** that there is still an outstanding amount to pay – and usually that's sufficient to do the trick."

~

Midland Management Services.
Malcolm Jones, General Manager.

"In our business it's vital to generate new work all the time, to keep the cash coming in. If potential customers can't get through to the right person straight away, they may go elsewhere, and that could be next month's cash flow down the drain. Call diversion is the answer. With call diversion you're **ALWAYS AVAILABLE TO TAKE AN ORDER,** to keep the money flowing the next quarter."

~



The Home Service.
Sharon Baxter, Sole Trader.

"Two of our people work from home, using purely the telephone. It isn't just selling – they also research the market, process orders, and chase payment. Obviously, **WORKING FROM HOME HELPS OUR CASHFLOW** by saving on office overheads. It also suits our people, who can make calls and generate business outside normal office hours, and improve earnings for us and them."

~

BR & M Holmes.
Barry Holmes, Partner.

"We encourage our customers to send their orders by fax rather than post, which speeds up the whole business process. For our part we **FAX INVOICES AND STATEMENTS,** which definitely gets the money in faster. Used properly, a fax is one of the best investments you can make."

~

Pandoro Ltd.
Michelle Webster, Administration.

"We operate a team of over 200 drivers, which means a lot of people out on the road at any one time. When they need to call in – which is often – they have **A SPECIAL FREE 0800 NUMBER** which is routed directly through to the traffic department – so the call doesn't go through our switchboard. This is a very cost-efficient arrangement, which saves the driver time on the call, and eases the staff pressure on our switchboard."

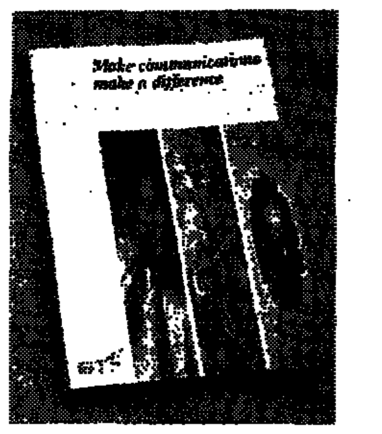
~

Industrial Information Index.
Melvyn Lebetkin, Director.

"We're an on-line information service. Customers access our data base, for which we charge them upfront membership and usage time. For smaller customers, whose usage is not great enough to charge an upfront fee, we have an **0891 NUMBER,** which means they're accessing our information on a premium line. So instead of invoicing the customer, we earn our margin through BT.

This eases our cash flow considerably because instead of waiting for lots of people to pay us we get paid by just one."

~



Discover more about these and other ideas in this new BT information pack **'MAKE COMMUNICATIONS MAKE A DIFFERENCE'.** For your copy post the coupon. Or – simpler, quicker and cheaper – call us free on 0800 800 933 anytime.

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CALL US FREE ON 0800 800 933

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